



2023

INTERIM REPORT



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

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CORPORATE INFORMATION



DIRECTORS

Executive Directors

Mr. Zhang Haijun (*Chairman*)
 Mr. Wu Jinyu
 Mr. Zhang Lihuan
 Mr. Zhang Chao
 Ms. Ma Xuehui

Non-executive Director

Ms. Zheng Zhixing

Independent non-executive Directors

Mr. Jip Ki Chi
 Mr. Zhang Liguo
 Mr. Wang Fujun

SUPERVISORS

Mr. Guan En (*Chairman*)
 Mr. Liu Jianbin
 Mr. Hu Hebin

AUDIT COMMITTEE

Mr. Jip Ki Chi (*Chairman*)
 Mr. Zhang Liguo
 Mr. Wang Fujun

REMUNERATION COMMITTEE

Mr. Zhang Liguo (*Chairman*)
 Mr. Wu Jinyu
 Mr. Jip Ki Chi

NOMINATION COMMITTEE

Mr. Wang Fujun (*Chairman*)
 Mr. Wu Jinyu
 Mr. Zhang Liguo

CORPORATE GOVERNANCE COMMITTEE

Mr. Jip Ki Chi (*Chairman*)
 Mr. Wang Fujun
 Mr. Zhang Chao

STRATEGY COMMITTEE

Mr. Zhang Haijun (*Chairman*)
 Mr. Wu Jinyu
 Mr. Zhang Liguo

COMPANY SECRETARIES

Ms. Ng Wai Kam (ACG, HKACG)
 Mr. Zhang Chao⁽¹⁾

AUTHORISED REPRESENTATIVES

Mr. Zhang Haijun
 Ms. Ng Wai Kam

ALTERNATES TO THE AUTHORISED REPRESENTATIVES

Mr. Wu Jinyu
 Mr. Zhang Chao

(1) Resigned as joint company secretary with effect from 17 January 2023

Corporate Information

**AUDITOR**

Pan-China Certified Public Accountants LLP
 No. 128, Xixi Road
 Lingyin Sub-district, Xihu District
 Hangzhou City, Zhejiang Province
 China

HONG KONG LEGAL ADVISER

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PRC LEGAL ADVISER

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 China

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ADDITIONAL REGISTERED ADDRESS

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 Shijiazhuang City
 Hebei Province
 China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

5/F, Manulife Place
 348 Kwun Tong Road, Kowloon
 Hong Kong

H SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
 Shops 1712-1716, 17th Floor, Hopewell Centre
 183 Queen's Road East
 Wanchai
 Hong Kong

STOCK CODE

1596

COMPANY WEBSITE

<http://www.hbyc.com.cn>

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

REVIEW REPORT

Tian Jian Shen No. 3-393 [2023]

TO THE SHAREHOLDERS OF HEBEI YICHEN INDUSTRIAL GROUP CORPORATION LIMITED

We have reviewed the attached financial statements of Hebei Yichen Industrial Group Corporation Limited (hereinafter referred to as “Yichen Industrial Corporation”), which comprise the consolidated balance sheet as at 30 June 2023, the consolidated income statement, the consolidated statement of cash flows and the consolidated statement of changes in owners’ equity from January to June 2023, and notes to the financial statements. Preparation of these financial statements is the responsibility of the management of Yichen Industrial Corporation. Our responsibility is to deliver a report on review of such financial statements based on our review.

We conducted our review in accordance with China Certified Public Accountant Review Standard No. 2101 – Review of Financial Statements. The Standard requires us to plan and perform the review to obtain limited assurance about whether the financial statements are free from material misstatements. A review is limited primarily to the enquiry of relevant personnel of Yichen Industrial Corporation and the analytical procedures applied to the financial information, thus providing less assurance than an audit. As we have not performed an audit, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the financial statements are not prepared in accordance with the Accounting Standards for Business Enterprises and cannot fairly present the consolidated financial position, operating results and cash flows of Yichen Industrial Corporation in all material respects.

Pan-China Certified Public Accountants LLP

Hangzhou, the PRC

Chinese Certified Public Accountant: **Jin Shunxing**

Chinese Certified Public Accountant: **Ouyang Caihua**

29 August 2023

CONSOLIDATED BALANCE SHEET (UNAUDITED)

As at 30 June 2023

	Notes	30 June 2023 RMB('000) (Unaudited)	31 December 2022 RMB('000) (Restated)
Current assets:			
Monetary capital		218,592	159,935
Financial assets held for trading		54,268	207,524
Notes receivable	1	65,062	67,339
Accounts receivable	2	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	3	409,675	354,921
Contract assets		34,669	28,083
Other current assets		32,345	6,433
Total current assets		1,983,512	2,186,122
Non-current assets:			
Long-term equity investments	4	262,008	241,896
Other equity instruments investment		8,197	8,197
Fixed assets	5	663,267	645,348
Construction in progress	6	190,683	199,707
Right-of-use assets		370	599
Intangible assets	7	140,056	141,373
Goodwill	8	79,073	79,073
Deferred income tax assets		28,807	11,432
Other non-current assets		86,289	81,684
Total non-current assets		1,458,750	1,409,309
Total assets		3,442,262	3,595,431

Consolidated Balance Sheet (Unaudited)

As at 30 June 2023

	Notes	30 June 2023 RMB('000) (Unaudited)	31 December 2022 RMB('000) (Restated)
Current liabilities:			
Short-term borrowings	9	144,500	182,640
Notes payable		74,385	73,801
Accounts payable	10	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	11	214,842	218,127
Other current liabilities		2,773	5,469
Total current liabilities		902,373	919,184
Non-current liabilities:			
Long-term borrowings	12	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 (or shareholders' equity):			
Paid-in capital (or 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

CONSOLIDATED INCOME STATEMENT (UNAUDITED)

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	1	542,641	645,970
II. Total operating cost		507,417	571,620
Including: Operating cost	1	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	2	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 (“-” for losses)	3	-47,930	17,093
Including: Gains on investments in associates and joint ventures		18,539	15,114
Gains on derecognition of financial assets measured at amortised cost		-71	-
Gain from changes in fair value (“-” for losses)	4	-28,059	5,842
Loss on credit impairment (“-” for losses)	5	-3,411	-11,960
Impairment loss of assets (“-” for losses)	6	-6,389	-3,638
III. Operating profits (“-” for losses)		-49,159	82,831
Add: Non-operating incomes		1,387	27
Less: Non-operating expenses		122	246
IV. Total profit (“-” for total losses)		-47,894	82,612
Less: Income tax expenses	7	-14,400	8,329
V. Net profit (“-” for net losses)		-33,494	74,283
(I) Classified according to continuity:			
1. Net profit from continuing operations (“-” for net losses)		-33,494	74,283
2. Net profit from discontinued operations (“-” for net losses)		-	-
(II) Classified according to equity holdings:			
1. Net profit attributable to owners of the parent (“-” for net losses)		-33,914	73,455
2. Profit and loss of minority interests (“-” for net losses)		420	828

Consolidated Income Statement (Unaudited)

For the six months ended 30 June 2023

	For the six months ended 30 June	
	2023 RMB('000) (Unaudited)	2022 RMB('000) (Restated)
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 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:		
(I) Basic earnings per share (RMB)	(0.04)	0.08
(II) Diluted earnings per share (RMB)	(0.04)	0.08

CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

For the six months ended 30 June 2023

	For the six months ended 30 June	
	2023 RMB('000) (Unaudited)	2022 RMB('000) (Unaudited)
I. Cash flows from operating activities:		
Cash received from sales of goods or rendering of labour service	627,282	439,799
Refund of taxes	–	3,913
Other cash received from operating-related activities	54,758	27,132
Sub-total of cash inflow from operating activities	682,040	470,844
Cash paid for goods purchased and labour service received	361,365	383,922
Cash paid to and for employees	54,894	56,860
Payments of taxes and surcharges	47,887	40,711
Other cash paid for operating-related activities	54,326	49,686
Sub-total of cash outflow from operating activities	518,472	531,179
Net cash flows from operating activities	163,568	(60,335)
II. Cash flows from investing activities:		
Cash from disinvestments	55,597	–
Cash received from return of investments	6,676	–
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	79	–
Sub-total of cash inflows from investing activities	62,352	–
Cash paid for the purchase and construction of fixed assets, intangible assets and other long-term assets	48,938	82,101
Cash paid for investment	–	5,476
Sub-total of cash outflows from investing activities	48,938	87,577
Net cash flows from investing activities	13,414	(87,577)

Consolidated Statement of Cash Flows (Unaudited)

For the six months ended 30 June 2023

	For the six months ended 30 June	
	2023 RMB('000) (Unaudited)	2022 RMB('000) (Unaudited)
III. Cash flows from financing activities:		
Cash received from borrowings	94,500	270,000
Other cash received from financing-related activities	14,800	10,442
Sub-total of cash inflows from financing activities	109,300	280,442
Cash paid for repayment of debts	208,040	69,714
Cash paid for distribution of dividends and profits or repayment of interest	10,025	17,287
Other cash paid for financing-related activities	–	12,861
Sub-total of cash outflows for financing activities	218,065	99,862
Net cash flows from financing activities	(108,765)	180,580
IV. Effect of changes in foreign exchange rates on cash and cash equivalents	(238)	(112)
V. Net increase in cash and cash equivalents	67,979	32,556
Add: Opening balance of cash and cash equivalents	77,020	65,941
VI. Closing balance of cash and cash equivalents	144,999	98,497

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY (UNAUDITED)

For the six months ended 30 June 2023

Item	For the six months ended 30 June 2023 (Unaudited)						Equity of minority shareholders RMB('000)	Total owners' equity RMB('000)
	Equity attributable to owners of the parent							
	Share capital RMB('000)	Capital reserve RMB('000)	Other comprehensive income RMB('000)	Surplus reserve RMB('000)	Undistributed profits RMB('000)			
Closing balance of prior year	448,920	813,227	(124)	151,797	1,047,160	12,286	2,473,266	
Add: Changes in accounting policies					4		4	
Opening balance of current year	448,920	813,227	(124)	151,797	1,047,164	12,286	2,473,270	
Increase or decrease for the period					(78,896)	420	(78,476)	
(I) Total comprehensive income					(33,914)	420	(33,494)	
(II) Capital invested and decreased by owners								
(III) Profit distribution					(44,982)		(44,982)	
Withdrawal of surplus reserve								
Distribution to owners (or shareholders)					(44,982)		(44,982)	
(IV) Closing balance of current period	448,920	813,227	(124)	151,797	968,268	12,706	2,394,794	

Item	For the six months ended 30 June 2022 (Restated)						Equity of minority shareholders RMB('000)	Total owners' equity RMB('000)
	Equity attributable to owners of the parent							
	Share capital RMB('000)	Capital reserve RMB('000)	Other comprehensive income RMB('000)	Surplus reserve RMB('000)	Undistributed profits RMB('000)			
Closing balance of prior year	448,920	813,227		137,535	950,041	11,159	2,360,882	
Add: Changes in accounting policies					4		4	
Opening balance of current year	448,920	813,227		137,535	950,045	11,159	2,360,886	
Increase or decrease for the period					23,804	828	24,632	
(I) Total comprehensive income					73,455	828	74,283	
(II) Capital invested and decreased by owners								
(III) Profit distribution					(49,651)		(49,651)	
Withdrawal of surplus reserve								
Distribution to owners (or shareholders)					(49,651)		(49,651)	
(IV) Closing balance of current period	448,920	813,227		137,535	973,849	11,987	2,385,518	

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. GENERAL INFORMATION OF THE COMPANY

Hebei Yichen Industrial Group Corporation Limited (hereinafter referred to as the “**Company**” and collectively with its subsidiaries, the “**Group**”) was formerly known as Hebei Yichen Industrial Group Co., Ltd. (河北翼辰實業集團有限公司). On 9 April 2001, the Company was registered in the Shijiazhuang City Market Supervision and Administration Bureau (石家莊市市場監督管理局), with the headquarters located in Shijiazhuang City, Hebei Province. The registered capital of the Company is RMB448,920,000 and its total number of shares is 897,840,000 with a nominal value of RMB0.5 per share, among which, 673,380,000 are domestic shares and 224,460,000 are H shares. The H shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 21 December 2016.

The Company belongs to the manufacturing sector, and it is principally engaged in research and development, manufacturing and sales of rail fastening system, welding wire and railway sleeper products. Its main products include rail fastening, welding wire and railway sleeper.

These financial statements were approved for publication at the 16th meeting of the third session of the board of directors of the Company (the “**Board**”) on 24 August 2023.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

(I) Basis of Preparation

These financial statements of the Company are prepared on a going concern basis.

(II) Evaluation on Ability of Continuing Operation

The Company has no events or circumstances that may cast significant doubts upon the Company’s ability to continue as a going concern within the 12 months after the end of the reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(I) Accounting Policies

These financial statements are prepared according to the Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC and relevant regulations, as well as disclosure requirements under the Listing Rules of the Stock Exchange and Hong Kong Companies Ordinance, and based on the accounting policies and estimates applicable to the Company.

This interim report has not included all notes in the annual report. Accordingly, this interim report should be read in conjunction with the 2022 annual report. The accounting policies adopted by the Company in preparation of this interim report are consistent with those adopted for the 2022 annual financial statements.

Notes to the Interim Condensed Consolidated Financial Information

3. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES *(Continued)***(II) Statement of Compliance with the Accounting Standards for Business Enterprises**

The Company has prepared the financial statements in compliance with the Accounting Standards for Business Enterprises in order to give a true and full view of the information on the financial conditions, operating results and cash flow of the Company.

(III) Changes in Significant Accounting Policies

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 recognised at the beginning of the earliest period presented in the financial statements in which the 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 item 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

Notes to the Interim Condensed Consolidated Financial Information

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Notes: The opening balance in the notes to these financial statements represents the figures of the closing balance of last year in the financial statements as at 1 January 2023 adjusted in accordance with the Interpretation No. 16 of the Accounting Standards for Business Enterprises, the closing balance represents the figures of financial statements as at 30 June 2023, the amount for the period refers to the figures of financial statements during January to June 2023, and the amount for the same period of last year refers to the figures of financial statements during January to June 2022 adjusted in accordance with the Interpretation No. 16 of the Accounting Standards for Business Enterprises.

(I) Notes to the Consolidated Balance Sheet**1. Notes receivable**

Category	Book balance		Closing balance		Book value RMB('000)
	Amount RMB('000)	Proportion (%)	Provision for bad debts Amount RMB('000)	Percentage of provision (%)	
Provision for bad debts made as per portfolio	68,541	100.00	3,479	5.08	65,062
Including: Bank acceptance notes	58,682	85.62			58,682
Trade acceptance notes	9,859	14.38	3,479	35.29	6,380
Total	68,541	100.00	3,479	5.08	65,062

Category	Book balance		Closing balance of last year		Book value RMB('000)
	Amount RMB('000)	Proportion (%)	Provision for bad debts Amount RMB('000)	Percentage of provision (%)	
Provision for bad debts made as per portfolio	69,323	100.00	1,984	2.86	67,339
Including: Bank acceptance notes	61,337	88.48			61,337
Trade acceptance notes	7,986	11.52	1,984	24.85	6,002
Total	69,323	100.00	1,984	2.86	67,339

Notes to the Interim Condensed Consolidated Financial Information

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**(I) Notes to the Consolidated Balance Sheet** (Continued)

2. Accounts receivable

(1) Breakdown

Breakdown by category

Category	Book balance		Closing balance		Book value RMB('000)
	Amount RMB('000)	Proportion (%)	Provision for bad debts Amount RMB('000)	Percentage of provision (%)	
Provision for bad debts made individually	12,098	0.92	12,098	100.00	
Provision for bad debts made as per portfolio	1,308,319	99.08	183,380	14.02	1,124,939
Total	1,320,417	100.00	195,478	14.80	1,124,939

Category	Book balance		Closing balance of last year		Book value RMB('000)
	Amount RMB('000)	Proportion (%)	Provision for bad debts Amount RMB('000)	Percentage of provision (%)	
Provision for bad debts made individually	12,496	0.83	12,496	100.00	
Provision for bad debts made as per portfolio	1,490,339	99.17	181,680	12.19	1,308,659
Total	1,502,835	100.00	194,176	12.92	1,308,659

(2) Ageing analysis

Item	Book balance	
	Closing balance RMB('000)	Closing balance of last year RMB('000)
Within 1 year	789,533	902,146
1 to 2 years	268,837	380,351
2 to 3 years	110,671	73,476
3 to 4 years	65,621	68,238
4 to 5 years	26,465	26,305
Over 5 years	59,290	52,319
Sub-total	1,320,417	1,502,835

Notes to the Interim Condensed Consolidated Financial Information

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**(I) Notes to the Consolidated Balance Sheet** (Continued)

3. Inventories

Item	Closing balance			Closing balance of last year		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
	RMB('000)	RMB('000)	RMB('000)	RMB('000)	RMB('000)	RMB('000)
Raw materials	52,984	2,161	50,823	56,759	746	56,013
Work in progress	77,186	1,374	75,812	91,452		91,452
Finished goods	282,859	16,775	266,084	214,556	18,871	195,685
Delivered goods	2,759		2,759	3,849		3,849
Materials for consigned processing	14,197		14,197	7,922		7,922
Total	429,985	20,310	409,675	374,538	19,617	354,921

4. Long-term equity investments

(1) Breakdown by category

Item	Closing balance			Closing balance of last year		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
	RMB('000)	RMB('000)	RMB('000)	RMB('000)	RMB('000)	RMB('000)
Investments in associates	262,008		262,008	241,896		241,896
Total	262,008		262,008	241,896		241,896

Notes to the Interim Condensed Consolidated Financial Information

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**(I) Notes to the Consolidated Balance Sheet** (Continued)

4. Long-term equity investments (Continued)

(2) Breakdown

Investee	Opening balance RMB('000)	Increase or decrease during the period				Adjustment to other comprehensive income RMB('000)
		Additional investments RMB('000)	Decrease in investments RMB('000)	Investment profit or loss recognised using equity method RMB('000)		
Associate						
Hebei Tieke Yichen New Material Technology Co., Ltd.	241,896			18,539		
Total	241,896			18,539		

Investee	Other changes in equity RMB('000)	Increase or decrease during the period			Closing balance RMB('000)	Closing balance of provision for impairment RMB('000)
		Cash dividends or profit distribution declared RMB('000)	Provision for impairment RMB('000)	Others RMB('000)		
Associate						
Hebei Tieke Yichen New Material Technology Co., Ltd.		(7,105)		8,678	262,008	
Total		(7,105)		8,678	262,008	

Notes to the Interim Condensed Consolidated Financial Information

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**(I) Notes to the Consolidated Balance Sheet** (Continued)

5. Fixed assets

Item	Buildings and structures RMB('000)	Machinery and equipment RMB('000)	Transportation vehicles RMB('000)	Electronic and communication equipment RMB('000)	Other equipment RMB('000)	Total RMB('000)
Original book value						
Opening balance	566,626	284,350	17,771	18,741	2,879	890,367
Increase during the period	11,584	22,869	113	1,666	7,012	43,244
1) Purchase	41	1,773	113	153	8	2,088
2) Transferred from construction in progress	11,543	21,096		1,513	7,004	41,156
Decrease during the period		1,167		672	47	1,886
1) Disposal or retirement		1,167		672	47	1,886
Closing balance	578,210	306,052	17,884	19,735	9,844	931,725
Accumulated depreciation						
Opening balance	63,342	155,397	15,957	7,895	2,428	245,019
Increase during the period	13,666	9,485	210	1,770	83	25,214
1) Provision	13,666	9,485	210	1,770	83	25,214
Decrease during the period		1,092		639	44	1,775
1) Disposal or retirement		1,092		639	44	1,775
Closing balance	77,008	163,790	16,167	9,026	2,467	268,458
Provision for impairment						
Opening balance						
Increase during the period						
1) Provision						
Decrease during the period						
1) Disposal or retirement						
Closing balance						
Book value						
Closing book value	501,202	142,262	1,717	10,709	7,377	663,267
Opening book value	503,284	128,953	1,814	10,846	451	645,348

Notes to the Interim Condensed Consolidated Financial Information

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**(I) Notes to the Consolidated Balance Sheet** (Continued)6. *Project under construction*

Item	Closing balance			Closing balance of last year		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
	RMB('000)	RMB('000)	RMB('000)	RMB('000)	RMB('000)	RMB('000)
R&D and manufacturing project of high-speed railway heavy-haul fastening accessory system	20,202		20,202	65,115		65,115
Andafa AX lean manufacturing management system				1,027		1,027
Equipment of workshop 5 of a new plant	67,539		67,539	36,283		36,283
Flux cored wire south workshop upgrade	820		820	15,184		15,184
Solid wire resource utilization and treatment project				5,398		5,398
Railway locomotive project	94,120		94,120	71,550		71,550
Sporadic projects	8,002		8,002	5,150		5,150
Total	190,683		190,683	199,707		199,707

Notes to the Interim Condensed Consolidated Financial Information

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**(I) Notes to the Consolidated Balance Sheet** (Continued)

7. Intangible assets

Item	Land use rights RMB('000)	Software RMB('000)	Total RMB('000)
Original book value			
Opening balance	157,288	2,477	159,765
Increase during the period	392	49	441
1) Purchase	392	49	441
Decrease during the period			
1) Disposal			
Closing balance	157,680	2,526	160,206
Accumulated amortisation			
Opening balance	16,894	1,498	18,392
Increase during the period	1,581	177	1,758
1) Provision	1,581	177	1,758
Decrease during the period			
1) Disposal			
Closing balance	18,475	1,675	20,150
Provision for impairment			
Opening balance			
Increase during the period			
1) Provision			
Decrease during the period			
1) Disposal			
Closing balance			
Book value			
Closing book value	139,205	851	140,056
Opening book value	140,394	979	141,373

Notes to the Interim Condensed Consolidated Financial Information

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**(I) Notes to the Consolidated Balance Sheet** (Continued)8. *Goodwill*

Name of investee or event generating goodwill	Closing balance			Closing balance of last year		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
	RMB('000)	RMB('000)	RMB('000)	RMB('000)	RMB('000)	RMB('000)
Xingtai Juneng Railway Electrical Equipment Co., Ltd.* (邢臺炬能鐵路電氣器材有限公司)	114,281	35,208	79,073	114,281	35,208	79,073
Total	114,281	35,208	79,073	114,281	35,208	79,073

9. *Short-term borrowings*

Item	Closing balance RMB('000)	Closing balance of last year RMB('000)
Secured guaranteed borrowings	50,000	5,000
Secured borrowings	5,000	20,000
Guaranteed borrowings	3,000	
Credit borrowings	85,000	155,000
Pledged borrowings	1,500	2,640
Total	144,500	182,640

10. *Accounts payable*(1) *Breakdown*

Item	Closing balance RMB('000)	Closing balance of last year RMB('000)
Payables for materials	300,338	296,365
Payables for technology transfer	49,978	45,595
Payables for transportation	11,493	20,723
Payables for electricity and others	11,293	11,751
Total	373,102	374,434

* For identification purpose only

Notes to the Interim Condensed Consolidated Financial Information

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**(I) Notes to the Consolidated Balance Sheet** (Continued)10. *Accounts payable* (Continued)

(2) Ageing analysis

Item	Closing balance RMB('000)	Closing balance of last year RMB('000)
Within 1 year	303,563	312,748
Over 1 year	69,539	61,686
Sub-total	373,102	374,434

11. *Non-current liabilities due within one year*

Item	Closing balance RMB('000)	Closing balance of last year RMB('000)
Long-term borrowings due within one year	214,200	217,500
Lease liabilities due within one year	642	627
Total	214,842	218,127

12. *Long-term borrowings*

Item	Closing balance RMB('000)	Closing balance of last year RMB('000)
Secured guaranteed borrowings	109,700	
Secured borrowings	24,000	188,000
Credit borrowings	6,500	9,500
Total	140,200	197,500

Notes to the Interim Condensed Consolidated Financial Information

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**(II) Notes to the Consolidated Income Statement**1. *Operating revenue/operating cost*

(1) Breakdown

Item	Amount for the period		Amount for the same period of last year	
	Revenue RMB('000)	Cost RMB('000)	Revenue RMB('000)	Cost RMB('000)
Revenue from principal business	537,531	416,721	638,051	485,477
Other operating revenue	5,110	2,704	7,919	6,667
Total	542,641	419,425	645,970	492,144

(2) Breakdown of revenue by types of goods or services

Item	Amount for the period		Amount for the same period of last year	
	Revenue RMB('000)	Cost RMB('000)	Revenue RMB('000)	Cost RMB('000)
Rail fastening system	305,328	201,834	450,515	318,586
Welding wire	185,292	178,478	152,930	143,806
Railway sleepers	46,911	36,409	34,606	23,085
Others	5,110	2,704	7,919	6,667
Sub-total	542,641	419,425	645,970	492,144

2. *Finance costs*

Item	Amount for the period RMB('000)	Amount for the same period of last year RMB('000)
Finance expenses	10,025	9,065
Less: Interest income	1,324	815
Combined profit or loss	208	112
Handling charges and other expenses	508	189
Total	9,417	8,551

Notes to the Interim Condensed Consolidated Financial Information

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**(II) Notes to the Consolidated Income Statement** (Continued)3. *Investment gains/(losses)*

Item	Amount for the period RMB('000)	Amount for the same period of last year RMB('000)
Gains from long-term equity investment calculated under equity method	18,539	15,114
Gains on derecognition of financial assets measured at amortised 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	(47,930)	17,093

4. *Gains and losses from changes in fair value*

Item	Amount for the period RMB('000)	Amount for the same period of last year RMB('000)
Financial assets held for trading	(28,059)	5,842
Total	(28,059)	5,842

Notes to the Interim Condensed Consolidated Financial Information

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**(II) Notes to the Consolidated Income Statement** (Continued)5. *Loss on credit impairment*

Item	Amount for the period RMB('000)	Amount for the same period of last year RMB('000)
Loss on bad debts	(3,411)	(11,960)
Total	(3,411)	(11,960)

6. *Impairment loss of assets*

Item	Amount for the period RMB('000)	Amount for the same period of last year RMB('000)
Impairment loss of contract assets	(996)	(3,466)
Impairment loss of inventories	(5,393)	(172)
Total	(6,389)	(3,638)

7. *Income tax expenses*

Item	Amount for the period RMB('000)	Amount for the same period of last year RMB('000) (Restated)
Current income tax expenses	2,989	11,969
Deferred income tax expenses	(17,389)	(3,640)
Total	(14,400)	8,329

Notes to the Interim Condensed Consolidated Financial Information

5. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS

With the objective of achieving a balance between risks and revenue through risk management, the Company minimises the negative impact of risks to its operating results in order to maximise the interest of its Shareholders and other equity investors. According to the objective set for risk management, the basic strategies of the Company's risk management include the identification and analysis of the Company's exposures to risks, establishment of an appropriate tolerance threshold and risk management. In addition, the Company supervises various risks in a timely and reliable manner in order to ensure the exposures are confined in a controlled scope.

During the daily operation, the Company is exposed to various risks associated with the financial instruments, which mainly include credit risk, liquidity risk and market risk. The management has reviewed and approved the policies for managing each of these risks which are summarised below.

(I) Credit Risk

Credit risk is the risk of financial losses arising from default of the counterparty of the financial instruments.

Credit risks of the Company arise primarily from monetary capital and receivables. In order to control the relevant risks above, the Company has taken the following measures respectively.

1. *Monetary capital*

The Company places bank deposits and other monetary capital in financial institutions with high credit ratings, therefore its credit risks are low.

2. *Receivables*

The Company continuously conducts credit assessment on customers who trade on credit terms. Based on the assessment results, the Company chooses to trade with recognised and creditworthy customers, and carries out control on the balances of receivables to ensure that the Company's exposure to bad debts is not significant.

As the Company's risks of accounts receivable fall into several business partners and customers, as of 30 June 2023, 35.60% (31 December 2022: 44.31%) of the Company's accounts receivable was due from the five largest customers in terms of balances.

The maximum credit risk exposure of the Company was the book value of each financial asset in the balance sheet.

Notes to the Interim Condensed Consolidated Financial Information

5. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS *(Continued)***(II) Liquidity risk**

Liquidity risk is the risk that the Company will encounter shortage of funds in meeting obligations that are settled by delivering cash or other financial assets. It may arise when the Company is not able to sell financial assets at fair value in a timely manner; or the counterparties are not able to repay contractual liabilities; or the Company could be required to pay its liabilities earlier than expected; or the Company could not obtain sufficient cash flow as expected.

For the purpose of controlling the risk, the Company maintains a balance between continuity and flexibility of funding through the combination of several financing methods, such as notes settlement and bank borrowings, as well as optimising financing structure through the combination of long and short-term financing. The Company has obtained banking facilities, which are mainly denominated in RMB, from several commercial banks to fund the working capital requirements and capital expenditure.

Classification of financial liabilities based on the remaining maturity

Item	Closing balance				
	Book value RMB('000)	Undiscounted contractual amount RMB('000)	Within 1 year RMB('000)	1 to 3 years RMB('000)	Over 3 years RMB('000)
Bank borrowings	498,900	513,326	371,171	142,155	
Bills payable	74,385	74,385	74,385		
Accounts payable	373,102	373,102	373,102		
Other payables	62,550	62,550	62,550		
Lease liabilities and lease liabilities due within one year	642	642	642		
Sub-total	1,009,579	1,024,005	881,850	142,155	

Notes to the Interim Condensed Consolidated Financial Information

5. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (Continued)**(II) Liquidity risk** (Continued)

Classification of financial liabilities based on the remaining maturity (Continued)

Item	Book value RMB('000)	Closing balance of last year			
		Undiscounted contractual amount RMB('000)	Within 1 year RMB('000)	1 to 3 years RMB('000)	Over 3 years RMB('000)
Bank borrowings	597,640	621,506	420,117	201,389	
Bills payable	73,801	73,801	73,801		
Accounts payable	374,434	374,434	374,434		
Other payables	38,379	38,379	38,379		
Lease liabilities and lease liabilities due within one year	627	642	642		
Sub-total	1,084,881	1,108,762	907,373	201,389	

(III) Market Risk**1. Interest risk**

Interest risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company's exposure to the risk of cash flow interest rates relates primarily to the Company's interest-bearing bank borrowings with floating interest rate.

As of 30 June 2023, the Company's bank borrowings with interest accrued at floating interest rate totalled RMB204,400,000 (31 December 2022: RMB190,000,000). Assuming that interest rates had been 50 basis points higher/lower and all other variables were held constant, there will be no significant impact on the Company's total profit and shareholders' interests.

2. Foreign exchange risk

Foreign exchange risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company operates in Mainland China, and its main activities are denominated in RMB. Therefore, the Company's exposure to market risk in respect of changes in foreign exchange is not significant.

Notes to the Interim Condensed Consolidated Financial Information

6. FAIR VALUE DISCLOSURE

Breakdown of fair value at the end of the period of assets and liabilities measured at fair value

Item	Fair value at the end of the period			Total RMB('000)
	Fair value measured at level 1 RMB('000)	Fair value measured at level 2 RMB('000)	Fair value measured at level 3 RMB('000)	
Recurring fair value measurement	54,268			54,268
1. Financial assets held for trading and other non-current financial assets				
(1) Financial assets at fair value through profit or loss for the period	54,268			54,268
Equity instruments investment – equity interests of Hong Kong listed companies	54,268			54,268
2. Financing of receivables			7,419	7,419
3. Other equity instruments investment			8,197	8,197
Total assets measured at fair value on a recurring basis	54,268		15,616	69,884

Item	Fair value at the end of last year			Total RMB('000)
	Fair value measured at level 1 RMB('000)	Fair value measured at level 2 RMB('000)	Fair value measured at level 3 RMB('000)	
Recurring fair value measurement				
1. Financial assets held for trading and other non-current financial assets	207,524			207,524
(1) Financial assets at fair value through profit or loss for the period	207,524			207,524
Equity instruments investment – equity interests of Hong Kong listed companies	207,524			207,524
2. Financing of receivables			2,717	2,717
3. Other equity instruments investment			8,197	8,197
Total assets measured at fair value on a recurring basis	207,524		10,914	218,438

Notes to the Interim Condensed Consolidated Financial Information

7. RELATED PARTIES AND RELATED PARTY TRANSACTIONS**(I) Related parties****1. Information on the parent of the Company**

The Company is jointly controlled by natural persons and the ultimate controllers are Zhang Haijun, Zhang Junxia, Zhang Xiaogeng, Zhang Xiaosuo, Zhang Ligang, Wu Jinyu, Zhang Chao, Zhang Lijie, Zhang Lifeng, Zhang Yanfeng, Zhang Libin, Zhang Lihuan, Zhang Ning, Zhang Hong and Zhang Ruiqiu.

2. Information on the associates of the Company

Name of associate	Relationship with the Company
Hebei Tieke Yichen New Material Technology Co., Ltd.	Significant associate of the Company

3. Information on other related parties of the Company

Name of other related parties	Relationship between other related parties and the Company
Shijiazhuang City Gaocheng District Longji Corporate Management Co., Ltd.	Enterprise controlled by actual controllers and their close family members
Yin Yanping	Spouse of Zhang Lihuan
Zhou Qiujun	Spouse of Zhang Haijun

Notes to the Interim Condensed Consolidated Financial Information

7. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)**(II) Related party transactions**1. *Related party transactions regarding purchase and sale of goods, provision and acceptance of labour services*

- (1) Related party transactions regarding purchase of goods and acceptance of labour services

Related parties	Information on related party transactions	Amount for the period RMB('000)	Amount for the same period of last year RMB('000)
Hebei Tieke Yichen New Material Technology Co., Ltd.	Purchase of goods	68,929	50,293
Total		68,929	50,293

- (2) Related party transactions for sales of goods and provision of labour services

Related parties	Information on related party transactions	Amount for the period RMB('000)	Amount for the same period of last year RMB('000)
Hebei Tieke Yichen New Material Technology Co., Ltd.	Sales of water, electricity and gas	334	4,316
Hebei Tieke Yichen New Material Technology Co., Ltd.	Provision of labour services	16	17
Hebei Tieke Yichen New Material Technology Co., Ltd.	Sales of goods	2,502	2,122
Total		2,852	6,455

Notes to the Interim Condensed Consolidated Financial Information

7. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)**(II) Related party transactions** (Continued)

2. Related party leases

The Company as a lessee

Name of lessor	Type of leased assets	Amount for the period			
		Rental expenses for short term leases and leases of low-value assets using the simplified approach and variable lease payments not included in the measurement of lease liabilities RMB('000)	Recognised right-of-use assets lease Rental paid (excluding variable lease payments not included in the measurement of lease liabilities) RMB('000)	Increased principal amount of lease liabilities RMB('000)	Recognised interest expenses RMB('000)
Shijiazhuang City Gaocheng District Longji Corporate Management Co., Ltd.	Building				15

Name of lessor	Type of leased assets	Amount for the same period of last year			
		Rental expenses for short term leases and leases of low-value assets using the simplified approach and variable lease payments not included in the measurement of lease liabilities RMB('000)	Recognised right-of-use assets lease Rental paid (excluding variable lease payments not included in the measurement of lease liabilities) RMB('000)	Increased principal amount of lease liabilities RMB('000)	Recognised interest expenses RMB('000)
Shijiazhuang City Gaocheng District Longji Corporate Management Co., Ltd.	Building		642		29

Notes to the Interim Condensed Consolidated Financial Information

7. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)**(II) Related party transactions** (Continued)**3. Guarantee with related parties**

The Company and its subsidiaries as the secured parties

Guarantor	Guaranteed amount RMB('000)	Commencement date of the guarantee for principal creditor's rights	Expiry date of the guarantee for principal creditor's rights	Guarantee fully fulfilled
Zhang Haijun, Wu Jinyu, Zhang Lifeng, Zhang Junxia, Zhang Xiaosuo (Note 1)	30,000	9 December 2022	21 November 2023	No
Zhang Haijun, Zhou Qiuju (Note 2)	244,807	27 September 2022	20 June 2025	No

(Note 1) Zhang Haijun, Wu Jinyu, Zhang Lifeng, Zhang Junxia and Zhang Xiaosuo provided joint and several guarantees for the Company's bills payable of RMB30,000,000;

(Note 2) Zhang Haijun and Zhou Qiuju provided joint and several guarantees of up to RMB550 million for the signing of RMB capital loan contracts, foreign exchange capital loan contracts, bank acceptance agreements, letter of credit issuance contracts, letter of guarantee issuance agreements and other legal documents between the Company and China Construction Bank Corporation Gaocheng Branch

4. Compensation to key management personnel

Item	Amount for the period RMB('000)	Amount for the same period of last year RMB('000)
Compensation to key management personnel	1,604	1,443

Notes to the Interim Condensed Consolidated Financial Information

7. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)**(III) Amount due from/to related parties**1. *Amount due from related parties*

Name of item	Related party	Closing balance		Closing balance of last year	
		Book balance RMB('000)	Provision for bad debts RMB('000)	Book balance RMB('000)	Provision for bad debts RMB('000)
Bills payable	Hebei Tieke Yichen New Material Technology Co., Ltd.	3,500	10	3,000	
Sub-total		3,500	10	3,000	
Accounts receivable	Hebei Tieke Yichen New Material Technology Co., Ltd.	10,082	202	6,169	123
Sub-total		10,082	202	6,169	123
Other receivables	Yin Yanping Zhang Ning	37	1	37 3	1
Sub-total		37	1	40	1

2. *Amount due to related parties*

Name of item	Related party	Closing balance RMB('000)	Closing balance of last year RMB('000)
Sub-total		37,688	13,688
Accounts payable	Hebei Tieke Yichen New Material Technology Co., Ltd.	126,462	109,407
Sub-total		126,462	109,407
Non-current liabilities due within one year	Shijiazhuang City Gaocheng District Longji Corporate Management Co., Ltd.	642	627
Sub-total		642	627

Notes to the Interim Condensed Consolidated Financial Information

8. COMMITMENTS AND CONTINGENCIES

(I) Significant commitments

As of the balance sheet date, the Company has no significant commitments that need to be disclosed.

(II) Contingencies

As of the balance sheet date, the Company has no significant contingencies that need to be disclosed.

9. EVENTS AFTER THE BALANCE SHEET DATE

As of the date of this financial report, the Company has no significant events after the balance sheet date that need to be disclosed.

10. OTHER SIGNIFICANT EVENTS

(I) Segment Information

The major business of the Company is the manufacturing and sales of rail fastening system, welding wire and railway sleeper products. The Company regards this business as a whole when implementing management and assessing operating results. Accordingly, the Company is not required to disclose segment information. Details of the Company's revenue breakdown are set out in Note 4(II)1 to these financial statements.

(II) Other Significant Events

On 7 August 2019, a petition for arbitration was filed against the Company by Jiangsu Taiheda Machinery Co., Ltd. (江蘇泰禾達機械有限公司) due to equipment contract disputes. On 20 October 2022, the Company received an execution notice ((2022) Ji 01 Zhi No. 1924) ((2022)冀01執1924號), requiring the Company to fulfill its obligations as determined by Yan Zhong (2019) Digital No. 268 Award (鹽仲(2019)數字第268號裁決書) made by Yancheng Arbitration Commission. Shijiazhuang Intermediate People's Court in Hebei Province filed a case for enforcement in accordance with the law, and the subject matter of the enforcement application was RMB2,910,229.4, which caused the Company's bank deposits of RMB2,941,731.44 to be judicially frozen. At the end of 2022, the Company provided for an estimated liability of RMB451,731.44 based on the guarantee amount of RMB2,941,731.44 for application of award suspension, less the equipment payable of RMB2,490,000.00. On 25 July 2023, both parties reached a settlement enforcement agreement, in which Jiangsu Taiheda Machinery Co., Ltd. only required the Company to pay for an amount of RMB1,965,000 for the equipment, while the remaining amount of the equipment payable, together with the overdue interests, the legal fees, the arbitration fees, and the deferred performance fees, etc. were all waived by Jiangsu Taiheda Machinery Co., Ltd. At the end of June 2023, the Company reversed the estimated liability in accordance with the settlement enforcement agreement.

Notes to the Interim Condensed Consolidated Financial Information

11. OTHER SUPPLEMENTAL INFORMATION**Earnings per Share**

Profit for the period	Earnings per share (RMB/share)	
	Basic earnings per share	Diluted earnings per share
Net profit attributable to ordinary shareholders of the Company	(0.04)	(0.04)

Profit for the same period of last year	Earnings per share (RMB/share)	
	Basic earnings per share	Diluted earnings per share
Net profit attributable to ordinary shareholders of the Company	0.08	0.08

Dividends

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

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 six months ended 30 June 2023 (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%.

Management Discussion and Analysis

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.

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).



Management Discussion and Analysis

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% from approximately RMB152.9 million 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% from approximately RMB34.6 million 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. In 2023, for the national railway network, over 3,000 km of new lines are expected to be put into operation, of which 2,500 km will be high-speed railways.

Management Discussion and Analysis

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 be 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 also 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 products.

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.

Management Discussion and Analysis

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.

Management Discussion and Analysis

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 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 approximately 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 loss 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.

Management Discussion and Analysis

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

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.

For details of credit risk, liquidity risk, interest risk and foreign exchange risk, please refer to Note 5 to the Interim Condensed Consolidated Financial Information.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES, ASSOCIATES OR JOINT VENTURES, AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

There were no significant investments held, or material acquisitions or disposals of subsidiaries, associates or joint ventures by the Group during the period under review, and the Company did not have any future plans for material investments or capital assets as at the date of this report.

CHARGES ON ASSETS

As at 30 June 2023, the Group did not have any charges on its assets.

CONTINGENT LIABILITIES

For details of contingent liabilities, please refer to please refer to Note 8 to the Interim Condensed Consolidated Financial Information.

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.

In addition, in order to recognise and acknowledge the contributions which the employees have made or may make to the Group, the Company has adopted a share award scheme, under which the Board may grant awards of H shares in the Company (the "H Shares") to any full-time employee of the Group in accordance with the rules of the share award scheme. For further information, please refer to the section headed "H Share Award Scheme" below.

OTHER INFORMATION

INTERESTS AND SHORT POSITIONS OF THE DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2023, so far as known to the directors of the Company (the “**Directors**”), the interests and short positions of the Directors, supervisors (the “**Supervisors**”) and chief executives of the Company in the shares (the “**Shares**”), underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “**SFO**”) (a) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) which are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code (including those they are taken or deemed to have under such provisions of the SFO) are as follows:

Long positions in the Domestic Shares of the Company:

Name	Capacity	Personal interest	Interest of spouse	Number of Shares		Approximate percentage of shareholding in the relevant class of Shares (%) (Note 2)	Total approximate percentage of shareholding in the total share capital of the Company (%) (Note 3)
				Deemed interest pursuant to Section 317 of the SFO (Note 1)	Total number		
Mr. Zhang Haijun (張海軍)	Director	128,426,480	N/A	444,426,294	572,852,774	85.07	63.80
Mr. Zhang Lifeng (張力峰)	Chief Executive Officer	16,643,140	N/A	556,209,634	572,582,774	85.07	63.80
Mr. Wu Jinyu (吳金玉)	Director	28,219,706	N/A	544,633,068	572,852,774	85.07	63.80
Mr. Zhang Chao (張超)	Director	17,205,163	N/A	555,647,611	572,852,774	85.07	63.80
Mr. Zhang Lihuan (張力歡)	Director	17,202,679	N/A	555,650,095	572,852,774	85.07	63.80

Notes:

- (1) The relevant parties are members of the Controlling Shareholders Group (as defined below). On 17 December 2020, they entered into a written agreement to, among others, confirm their acting-in-concert agreement. All the members of the Controlling Shareholders Group together controlled approximately 63.80% of the total share capital of our Company. Under the SFO, each member of the Controlling Shareholders Group will be deemed to be interested in the Shares beneficially owned by other members of the Controlling Shareholders Group.
- (2) Based on the total number of 673,380,000 Domestic Shares in issue.
- (3) Based on the total number of 897,840,000 Shares in issue.

Save as disclosed above, as at 30 June 2023, none of the Directors, Supervisors or chief executives of the Company had an interest and short position in the Shares, underlying shares or debentures of the Company or its associated corporations which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Other Information

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2023, so far as is known to the Directors, the interests or short positions of the persons (other than a Director, Supervisor or chief executive of the Company) in the Shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO or which would fall to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO are as follows:

Long positions in the Shares of the Company:

Name	Class of Shares	Capacity/Nature of interest	Number of Shares	Approximate percentage of shareholding in the relevant class of Shares (%) (Note 2)	Total approximate percentage of shareholding in the total share capital of the Company (%) (Note 3)
Ms. Zhou Qiuju (周秋菊) (Note 4)	Domestic Shares	Interest of spouse	572,852,774	85.07%	63.80%
Ms. Zhang Junxia (張軍霞) (Note 1)	Domestic Shares	Beneficial owner Deemed interest pursuant to Section 317 of the SFO	83,873,136 488,979,638		
			572,852,774	85.07%	63.80%
Ms. Zhang Xiaoxia (張小霞) (Note 5)	Domestic Shares	Interest of spouse	572,852,774	85.07%	63.80%
Mr. Zhang Xiaogeng (張小更) (Note 1)	Domestic Shares	Beneficial owner Deemed interest pursuant to Section 317 of the SFO	83,477,508 489,375,266		
			572,852,774	85.07%	63.80%
Ms. Liu Jiao (劉姣) (Note 6)	Domestic Shares	Interest of spouse	572,852,774	85.07%	63.80%
Mr. Zhang Xiaosuo (張小鎖) (Note 1)	Domestic Shares	Beneficial owner Deemed interest pursuant to Section 317 of the SFO	83,675,322 489,177,452		
			572,852,774	85.07%	63.80%

Other Information

Name	Class of Shares	Capacity/Nature of interest	Number of Shares	Approximate percentage of shareholding in the relevant class of Shares (%) (Note 2)	Total approximate percentage of shareholding in the total share capital of the Company (%) (Note 3)
Ms. Sun Shujing (孫書京) (Note 7)	Domestic Shares	Interest of spouse	572,852,774	85.07%	63.80%
Ms. Zhang Xiaoxia (張曉霞) (Note 8)	Domestic Shares	Interest of spouse	572,852,774	85.07%	63.80%
Mr. Zhang Ligang (張立剛) (Note 1)	Domestic Shares	Beneficial owner	26,355,534		
		Deemed interest pursuant to Section 317 of the SFO	546,497,240		
			572,852,774	85.07%	63.80%
Ms. Zhai Junping (翟軍平) (Note 9)	Domestic Shares	Interest of spouse	572,852,774	85.07%	63.80%
Ms. Zhang Weihuan (張偉環) (Note 10)	Domestic Shares	Interest of spouse	572,852,774	85.07%	63.80%
Mr. Zhang Lijie (張力杰) (Note 1)	Domestic Shares	Beneficial owner	17,202,679		
		Deemed interest pursuant to Section 317 of the SFO	555,650,095		
			572,852,774	85.07%	63.80%
Ms. Liu Lixia (劉麗霞) (Note 11)	Domestic Shares	Interest of spouse	572,852,774	85.07%	63.80%
Ms. Yang Yunjuan (楊雲娟) (Note 12)	Domestic Shares	Interest of spouse	572,852,774	85.07%	63.80%
Ms. Zhang Yanfeng (張艷峰) (Note 1)	Domestic Shares	Beneficial owner	17,207,647		
		Deemed interest pursuant to Section 317 of the SFO	555,645,127		
			572,852,774	85.07%	63.80%

Other Information

Name	Class of Shares	Capacity/Nature of interest	Number of Shares	Approximate percentage of shareholding in the relevant class of Shares (%) (Note 2)	Total approximate percentage of shareholding in the total share capital of the Company (%) (Note 3)
Mr. Zhang Weiwei (張偉衛) (Note 13)	Domestic Shares	Interest of spouse	572,852,774	85.07%	63.80%
Mr. Zhang Libin (張力斌) (Note 1)	Domestic Shares	Beneficial owner	16,643,140		
		Deemed interest pursuant to Section 317 of the SFO	556,209,634		
			572,852,774	85.07%	63.80%
Ms. Yin Yanping (尹彥萍) (Note 14)	Domestic Shares	Interest of spouse	572,852,774	85.07%	63.80%
Mr. Zhang Ning (張寧) (Note 1)	Domestic Shares	Beneficial owner	17,205,163		
		Deemed interest pursuant to Section 317 of the SFO	555,647,611		
			572,852,774	85.07%	63.80%
Ms. Huang Li (黃麗) (Note 15)	Domestic Shares	Interest of spouse	572,852,774	85.07%	63.80%
Ms. Zhang Hong (張宏) (Note 1)	Domestic Shares	Beneficial owner	17,207,647		
		Deemed interest pursuant to Section 317 of the SFO	555,645,127		
			572,852,774	85.07%	63.80%
Mr. Liu Chaohui (劉朝輝) (Note 16)	Domestic Shares	Interest of spouse	572,852,774	85.07%	63.80%
Mr. Zhang Ruiqiu (張瑞秋) (Note 1)	Domestic Shares	Beneficial owner	2,307,830		
		Deemed interest pursuant to Section 317 of the SFO	570,544,944		
			572,852,774	85.07%	63.80%

Other Information

Name	Class of Shares	Capacity/Nature of interest	Number of Shares	Approximate percentage of shareholding in the relevant class of Shares (%) (Note 2)	Total approximate percentage of shareholding in the total share capital of the Company (%) (Note 3)
Ms. Gao Xiangrong (高香榮) (Note 17)	Domestic Shares	Interest of spouse	572,852,774	85.07%	63.80%
Mr. Guo Zhongyan (郭中彥)	H Shares	Beneficial owner	25,031,000	11.15%	2.79%
Sino Wealthy Limited	H Shares	Beneficial owner	17,833,000	7.94%	1.99%
Mr. Wang Lei (汪磊) (“ Mr. Wang ”) (Note 18)	H Shares	Interest in controlled corporation	31,426,000	14.00%	3.50%
Ms. Zhang Zimo (張紫墨) (“ Ms. Zhang ”) (Note 18)	H Shares	Interest of spouse	31,426,000	14.00%	3.50%
Mr. Li Yanhao (李艷浩) (“ Mr. Li ”) (Note 18)	H Shares	Interest in controlled corporation	31,426,000	14.00%	3.50%
Ms. Feng Dasha (封達莎) (“ Ms. Feng ”) (Note 18)	H Shares	Interest of spouse	31,426,000	14.00%	3.50%
Vistra Trust (Singapore) Pte. Limited (Note 18)	H Shares	Trustee	31,426,000	14.00%	3.50%
Cyber Warrior Holdings Limited (Note 18)	H Shares	Interest in controlled corporation	31,426,000	14.00%	3.50%
Brainstorming Cafe Limited (Note 18)	H Shares	Interest in controlled corporation	31,426,000	14.00%	3.50%
Flowing Cloud Technology Ltd (Note 18)	H Shares	Beneficial owner	31,426,000	14.00%	3.50%
Beijing Infrastructure Investment Co., Ltd. (Note 19)	H Shares	Interest of controlled corporation	38,102,000	16.97%	4.24%
Beijing Infrastructure Investment (Hong Kong) Limited (Note 19)	H Shares	Beneficial owner	38,102,000	16.97%	4.24%
Shijiazhuang State-owned Holding Investment Group Company Limited (Note 20)	H Shares	Interest of controlled corporation	20,300,000	9.04%	2.26%
GUOKONG (HONG KONG) INVESTMENT CO., LIMITED (Note 20)	H Shares	Beneficial owner	20,300,000	9.04%	2.26%

Other Information

Notes:

- (1) A group of 15 individuals, namely Mr. Zhang Haijun (張海軍), Ms. Zhang Junxia (張軍霞), Mr. Zhang Xiaogeng (張小更), Mr. Zhang Xiaosuo (張小鎖), Mr. Zhang Ligang (張立剛), Mr. Wu Jinyu (吳金玉), Mr. Zhang Chao (張超), Mr. Zhang Lijie (張力杰), Mr. Zhang Lifeng (張力峰), Ms. Zhang Yanfeng (張艷峰), Mr. Zhang Libin (張力斌), Mr. Zhang Lihuan (張力歡), Mr. Zhang Ning (張寧), Ms. Zhang Hong (張宏) and Mr. Zhang Ruiqiu (張瑞秋), are collectively the controlling shareholders of the Company (the “**Controlling Shareholders Group**”). On 17 December 2020, they entered into a written agreement to, among others, confirm their acting-in-concert agreement. All the members of the Controlling Shareholders Group together controlled approximately 63.80% of the total share capital of our Company. Under the SFO, members of the Controlling Shareholders Group will be deemed to be interested in the Shares beneficially owned by other members of the Controlling Shareholders Group.
- (2) Based on the total number of 673,380,000 Domestic Shares in issue or 224,460,000 H Shares in issue.
- (3) Based on the total number of 897,840,000 Shares in issue.
- (4) Ms. Zhou Qiuju (周秋菊) is the spouse of Mr. Zhang Haijun (張海軍). Under the SFO, Ms. Zhou Qiuju is deemed to be interested in the same number of Shares in which Mr. Zhang Haijun is interested.
- (5) Ms. Zhang Xiaoxia (張小霞) is the spouse of Mr. Zhang Xiaosuo (張小鎖). Under the SFO, Ms. Zhang Xiaoxia is deemed to be interested in the same number of Shares in which Mr. Zhang Xiaosuo is interested.
- (6) Ms. Liu Jiao (劉姣) is the spouse of Mr. Zhang Libin (張力斌). Under the SFO, Ms. Liu Jiao is deemed to be interested in the same number of Shares in which Mr. Zhang Libin is interested.
- (7) Ms. Sun Shujing (孫書京) is the spouse of Mr. Zhang Xiaogeng (張小更). Under the SFO, Ms. Sun Shujing is deemed to be interested in the same number of Shares in which Mr. Zhang Xiaogeng is interested.
- (8) Ms. Zhang Xiaoxia (張曉霞) is the spouse of Mr. Wu Jinyu (吳金玉). Under the SFO, Ms. Zhang Xiaoxia is deemed to be interested in the same number of Shares in which Mr. Wu Jinyu is interested.
- (9) Ms. Zhai Junping (翟軍平) is the spouse of Mr. Zhang Ligang (張立剛). Under the SFO, Ms. Zhai Junping is deemed to be interested in the same number of Shares in which Mr. Zhang Ligang is interested.
- (10) Ms. Zhang Weihuan (張偉環) is the spouse of Mr. Zhang Chao (張超). Under the SFO, Ms. Zhang Weihuan is deemed to be interested in the same number of Shares in which Mr. Zhang Chao is interested.
- (11) Ms. Liu Lixia (劉麗霞) is the spouse of Mr. Zhang Lijie (張力杰). Under the SFO, Ms. Liu Lixia is deemed to be interested in the same number of Shares in which Mr. Zhang Lijie is interested.
- (12) Ms. Yang Yunjuan (楊雲娟) is the spouse of Mr. Zhang Lifeng (張力峰). Under the SFO, Ms. Yang Yunjuan is deemed to be interested in the same number of Shares in which Mr. Zhang Lifeng is interested.
- (13) Mr. Zhang Weiwei (張偉衛) is the spouse of Ms. Zhang Yanfeng (張艷峰). Under the SFO, Mr. Zhang Weiwei is deemed to be interested in the same number of Shares in which Ms. Zhang Yanfeng is interested.
- (14) Ms. Yin Yanping (尹彥萍) is the spouse of Mr. Zhang Lihuan (張力歡). Under the SFO, Ms. Yin Yanping is deemed to be interested in the same number of Shares in which Mr. Zhang Lihuan is interested.
- (15) Ms. Huang Li (黃麗) is the spouse of Mr. Zhang Ning (張寧). Under the SFO, Ms. Huang Li is deemed to be interested in the same number of Shares in which Mr. Zhang Ning is interested.

Other Information

- (16) Mr. Liu Chaohui (劉朝輝) is the spouse of Ms. Zhang Hong (張宏). Under the SFO, Mr. Liu Chaohui is deemed to be interested in the same number of Shares in which Ms. Zhang Hong is interested.
- (17) Ms. Gao Xiangrong (高香榮) is the spouse of Mr. Zhang Ruiqiu (張瑞秋). Under the SFO, Ms. Gao Xiangrong is deemed to be interested in the same number of Shares in which Mr. Zhang Ruiqiu is interested.
- (18) To the best of the knowledge, information and belief of the Directors and based on the shareholding disclosures made by the substantial shareholders pursuant to Part XV of the SFO,
- these 31,426,000 H Shares are held by Flowing Cloud Technology Ltd;
 - Flowing Cloud Technology Ltd is controlled as to approximately 42.21% by Brainstorming Cafe Limited, which is in turn owned as to approximately 61.05% by Cyber Warrior Holdings Limited, 26.16% by Wanglei Co., Ltd. and 12.79% by LYH. Ltd;
 - Cyber Warrior Holdings Limited is controlled as to 100% by Vistra Trust (Singapore) Pte. Limited, the trustee under Waterstones Trust, a discretionary trust of which Mr. Wang is the settlor and protector;
 - Mr. Wang and Mr. Li have entered into a concert party agreement, pursuant to which they confirmed, among other things, that they have been and shall continue to give unanimous consent, approval or rejection on any material issues and decision in relation to the business of Flowing Cloud Technology Ltd;
 - Ms. Zhang is the spouse of Mr. Wang;
 - Ms. Feng is the spouse of Mr. Li; and
 - accordingly, under the SFO, each of Mr. Wang, Mr. Li, Vistra Trust (Singapore) Pte. Limited, Cyber Warrior Holdings Limited and Brainstorming Cafe Limited is taken to be interested in the H Shares in which Flowing Cloud Technology Ltd is interested, Mr. Wang is taken to be interested in the H Shares held on trust under Waterstones Trust, Ms. Zhang is taken to be interested in the H Shares in which Mr. Wang is interested, and Ms. Feng is taken to be interested in the H Shares in which Mr. Li is interested.
- (19) Beijing Infrastructure Investment (Hong Kong) Limited is wholly owned by Beijing Infrastructure Investment Co., Ltd.* (北京市基礎設施投資有限公司). Under the SFO, Beijing Infrastructure Investment Co., Ltd. is deemed to be interested in the H Shares beneficially owned by Beijing Infrastructure Investment (Hong Kong) Limited.
- (20) GUOKONG (HONG KONG) INVESTMENT CO., LIMITED is wholly owned by Shijiazhuang State-owned Holding Investment Group Company Limited (石家莊國控投資集團有限責任公司). Under the SFO, Shijiazhuang State-owned Holding Investment Group Company Limited is deemed to be interested in the H Shares beneficially owned by GUOKONG (HONG KONG) INVESTMENT CO., LIMITED.

Save as disclosed above, as at 30 June 2023, no person (other than a Director, Supervisor and chief executive of the Company, whose interests are set out in the section headed “Interests and Short Positions of the Directors, Supervisors and Chief Executives in the Shares, Underlying Shares and Debentures” above) had registered any interest or short position in the Shares and underlying shares of the Company which are recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO or which would fall to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO.

* For identification purpose only

Other Information

H SHARE AWARD SCHEME

The Company adopted an H Share award scheme (the “**Scheme**”) pursuant to a special resolution passed by the shareholders of the Company at the extraordinary general meeting of the Company held on 13 September 2022 (the “**Adoption Date**”).

Persons eligible for the share awards under the Scheme (the “**Awards**”) include any full time employee of (i) any direct or indirect holding company of the Company or (ii) any direct or indirect subsidiary of the Company who is not a connected person (the “**Eligible Participants**”). The purpose of the Scheme is to recognise and acknowledge the contribution which the Eligible Participants have made or may make to the Group. Please refer to the circular of the Company dated 18 August 2022 and the section headed “H Share Award Scheme” in the Company’s annual report for the year ended 31 December 2022 for further details.

The Board shall be entitled at any time during the continuation of the Scheme to grant Awards to any of the Eligible Participants such number of H Shares as it shall determine pursuant to the Scheme. A grant of an Award shall be made to an Eligible Participant by way of a grant letter to be issued by the Company, and the Board may impose any conditions, restrictions or limitations before the Award can vest as it sees fit by setting out the same in the grant letter. There is no amount payable on acceptance of the awards prescribed in the rules of Scheme.

Under the Scheme, the Board shall not make any further Award which will result in the number of H Shares awarded by the Board under the Scheme exceeding 10% of the issued H Shares as at the Adoption Date, i.e. 22,446,000 H Shares. Since the Adoption Date and up to the date of this report, no Award had been granted, become vested, been cancelled or lapsed under the Scheme. As at 1 January 2023 and 30 June 2023, the number of H Shares available to be awarded under the Scheme mandate was 22,446,000 H Shares.

CHANGES IN INFORMATION OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE

There is no information in respect of the Directors, Supervisors or chief executive required to be disclosed herein pursuant to Rule 13.51B(1) of the Listing Rules.

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.

Going forward, the Company will remain attentive to rewarding its investors in the form of cash dividend, strictly comply with the requirements of relevant laws and regulations as well as the Articles of Association of the Company, and take into account various factors relating to profit distribution, so as to share the achievements of the Company’s development with its investors and better protect the long-term interests of its shareholders as a whole.

EVENTS AFTER REPORTING PERIOD

No other significant events occurred subsequent to the six months ended 30 June 2023 and up to the date of this report.

Other Information

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 during 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 but has been reviewed by the external auditors of the Company.

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

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 Part 2 of Appendix 14 to the Listing Rules throughout 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. Upon making specific enquiries to all of the Directors and Supervisors, all Directors and Supervisors 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".

INDEPENDENT NON-EXECUTIVE DIRECTORS

During the six months ended 30 June 2023, the Board had complied with (1) the requirement that the board of Directors of a listed issuer must include at least three independent non-executive Directors under Rule 3.10(1) of the Listing Rules; (2) the requirement that at least one of the independent non-executive Directors must have appropriate professional qualifications or accounting or related financial management expertise under Rule 3.10(2) of the Listing Rules; (3) the requirement that the number of independent non-executive Directors must represent at least one-third of the board of Directors under Rule 3.10A of the Listing Rules; and (4) the requirements in respect of the composition of the audit committee of a listed issuer under Rule 3.21 of the Listing Rules.

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

Shijiazhuang, the PRC
24 August 2023

* For identification purpose only