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Hebei Yichen Industrial Group Corporation Limited*

河北翼辰實業集團股份有限公司

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

(Stock Code: 1596)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

FINANCIAL HIGHLIGHTS

- Operating revenue amounted to approximately RMB1,196.1 million, representing a decrease of approximately 4.9% compared with that of 2022.
- Gross profit amounted to approximately RMB291.3 million, representing a decrease of approximately 3.7% compared with that of 2022.
- Total profit amounted to approximately RMB50.1 million, representing a decrease of approximately 72.7% compared with that of 2022.
- Net profit attributable to owners of the parent amounted to approximately RMB49.4 million, representing a decrease of approximately 69.3% compared with that of 2022; total comprehensive income for 2023 amounted to approximately RMB50.3 million, representing a decrease of approximately 69.0% compared with that of 2022.
- For the year ended 31 December 2023, the basic and diluted earnings per share amounted to approximately RMB0.06.

FINAL DIVIDEND

- The board of directors has proposed a final dividend of RMB0.010024 per share (tax inclusive) for the year ended 31 December 2023, with an aggregate amount of RMB8,999,948.

* For identification purposes only

FINANCIAL RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Hebei Yichen Industrial Group Corporation Limited (the “**Company**”) is pleased to announce the consolidated results of the Company and its subsidiaries (the “**Group**”, “**we**” or “**us**”) for the year ended 31 December 2023 (the “**year under review**”), together with comparative figures for the year ended 31 December 2022 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2023

	Notes	For the 12 months ended	
		2023	2022
		RMB(’000)	RMB(’000)
		(Unaudited)	(Restated)
I. Total operating revenue	5	1,196,146	1,258,266
II. Total operating cost	5	1,085,221	1,128,981
Including: Operating cost		904,796	955,756
Taxes and surcharges		14,273	12,275
Selling expenses		19,793	18,693
Management expenses		95,520	79,716
Research and development expense		33,329	42,878
Finance costs		17,510	19,663
Including: Interest costs		18,660	21,118
Interest income		2,431	1,994
Add: Other income		8,218	1,583
Investment gains/(losses)		(33,496)	41,009
Including: Gains on investments in associates and joint ventures		34,362	32,662
Gain from change in fair value		19,019	95,899
Loss on credit impairment		(36,895)	(45,866)
Impairment loss of assets		(18,865)	(37,581)
Gains on disposal of assets		–	–
III. Operating profits		48,906	184,329
Add: Non-operating incomes		1,522	28
Less: Non-operating expenses		297	882
IV. Total profit		50,131	183,475
Less: Income tax expenses	6	(172)	21,315

CONSOLIDATED INCOME STATEMENT (Continued)*For the year ended 31 December 2023*

		For the 12 months ended	
		31 December	
		2023	2022
		RMB('000)	RMB('000)
	<i>Notes</i>	(Unaudited)	(Restated)
V. Net profit		50,303	162,160
(I) Classified according to continuity:			
1. Net profit from continuing operations		50,303	162,160
2. Net profit from discontinued operations			
(II) Classified according to equity holdings:			
1. Net profit attributable to owners of the parent		49,445	161,033
2. Profit and loss of minority interests		858	1,127
VI. Total other comprehensive income		–	(124)
Total comprehensive income attributable to owners of the parent		–	(124)
Changes in fair value of other equity instruments investment		–	(124)
Total comprehensive income attributable to minority interests		–	–
VII. Total comprehensive income		50,303	162,036
Total comprehensive income attributable to owners of the parent		49,445	160,909
Total comprehensive income attributable to minority interests		858	1,127
VIII. Earnings per share:			
Basic earnings per share (<i>RMB</i>)	7	0.06	0.18
Diluted earnings per share (<i>RMB</i>)		0.06	0.18

CONSOLIDATED BALANCE SHEET

As at 31 December 2023

		31 December 2023	31 December 2022
		RMB('000)	RMB('000)
	<i>Notes</i>	(Unaudited)	(Restated)
Current assets:			
Monetary capital		132,087	159,935
Financial assets held for trading		101,346	207,524
Notes receivable	8	72,234	67,339
Accounts receivable	9	1,188,868	1,308,659
Financing of receivables		3,250	2,717
Prepayments		19,801	38,045
Other receivables		10,036	12,466
Inventories		355,301	354,921
Contract assets		38,934	28,083
Other current assets		26,457	6,433
		<hr/>	<hr/>
Total current assets		1,948,314	2,186,122
		<hr/>	<hr/>
Non-current assets:			
Long-term equity investments		281,807	241,896
Other equity instruments investment		8,197	8,197
Fixed assets		709,720	645,348
Construction in progress		157,137	199,707
Right-of-use assets		–	599
Intangible assets		138,296	141,373
Goodwill		73,408	79,073
Long-term deferred expenses		856	–
Deferred income tax assets		33,161	11,432
Other non-current assets		88,295	81,684
		<hr/>	<hr/>
Total non-current assets		1,490,877	1,409,309
		<hr/>	<hr/>
Total assets		3,439,191	3,595,431
		<hr/>	<hr/>

CONSOLIDATED BALANCE SHEET (Continued)*As at 31 December 2023*

		31 December 2023	31 December
		RMB('000)	2022
	<i>Notes</i>	(Unaudited)	<i>RMB('000)</i>
			<i>(Restated)</i>
Current liabilities			
Short-term borrowings		198,145	182,640
Notes payable	<i>10</i>	32,595	73,801
Accounts payable	<i>11</i>	350,349	374,434
Contract liabilities		14,747	8,164
Payroll payable		6,010	6,179
Tax payable		18,602	11,991
Other payables		22,517	38,379
Non-current liabilities due within one year		158,340	218,127
Other current liabilities		3,904	5,469
Total current liabilities		805,209	919,184
Non-current liabilities			
Long-term borrowings		150,310	197,500
Provision for liabilities		–	452
Deferred income		4,478	4,711
Deferred income tax liabilities		290	314
Total non-current liabilities		155,078	202,977
Total liabilities		960,287	1,122,161
Owner's equity			
Share capital		448,920	448,920
Capital reserve		813,539	813,227
Other comprehensive income		(124)	(124)
Surplus reserve		156,495	151,798
Undistributed profits		1,046,930	1,047,163
Total equity attributable to owners of the parent		2,465,760	2,460,984
Minority interests		13,144	12,286
Total owner's equity		2,478,904	2,473,270
Total liabilities and owner's equity		3,439,191	3,595,431

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

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

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

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

Unless otherwise stated, the financial information for the year ended 31 December 2023 is presented in Renminbi ("RMB") thousands.

The consolidated results for the year ended 31 December 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

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 recognised 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
Items in the balance sheet as at 31 December 2022	
Deferred income tax assets	4
Undistributed profits	4
Items in the income statement during 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 flux cored wire and solid welding wire products
- Railway sleeper products: research and development, manufacturing and sales of railway sleeper products

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

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

Items	Rail fastening system		Welding wires	
	2023 RMB('000)	2022 RMB('000)	2023 RMB('000)	2022 RMB('000)
Total revenue	692,228	870,451	382,209	311,210
Inter-segment revenue	—	—	—	—
Revenue from external customers	692,228	870,451	382,209	311,210
Total operating cost	(437,103)	(609,407)	(373,770)	(293,744)
Segment gross profit	255,125	261,044	8,439	17,466
Other profit or loss disclosure:				
Depreciation and amortisation	32,434	28,210	17,578	10,086
Provisions for impairment of receivables	(31,388)	(43,363)	(1,835)	(617)
Impairment of inventories	(7,693)	(10,857)	(1,379)	(1,946)
Finance costs	—	—	—	—

	Railway sleepers		Others	
	2023 RMB('000)	2022 RMB('000)	2023 RMB('000)	2022 RMB('000)
Total revenue	112,854	68,574	8,855	8,031
Inter-segment revenue	—	—	—	—
Revenue from external customers	<u>112,854</u>	<u>68,574</u>	<u>8,855</u>	<u>8,031</u>
Total operating cost	<u>(88,924)</u>	<u>(47,941)</u>	<u>(4,999)</u>	<u>(4,664)</u>
Segment gross profit	<u>23,930</u>	<u>20,633</u>	<u>3,856</u>	<u>3,367</u>
Other profit or loss disclosure:				
Depreciation and amortisation	4,700	3,500	407	260
Provisions for impairment of receivables	(7,788)	(2,692)	5	(39)
Impairment of inventories	(16)	(265)	—	—
Finance costs	—	—	17,510	19,663
			<u>17,510</u>	<u>19,663</u>
			Total	
			2023 RMB('000)	2022 RMB('000)
Total revenue			1,196,146	1,258,266
Inter-segment revenue			—	—
Revenue from external customers			<u>1,196,146</u>	<u>1,258,266</u>
Total operating cost			<u>(904,796)</u>	<u>(955,756)</u>
Total gross profit			<u>291,350</u>	<u>302,510</u>
Other profit or loss disclosure:				
Depreciation and amortisation			55,119	42,056
Provisions for/(reversal of) impairment of receivables			(41,006)	(46,711)
Impairment of inventories			(9,088)	(13,068)
Finance costs			17,510	19,663
			<u>17,510</u>	<u>19,663</u>

5 OPERATING REVENUE/OPERATING COST

Items	2023 RMB('000)		2022 RMB('000)	
	Revenue	Cost	Revenue	Cost
Revenue from principal business	1,187,291	899,797	1,250,235	951,092
Other operating revenue	8,855	4,999	8,031	4,664
Total	<u>1,196,146</u>	<u>904,796</u>	<u>1,258,266</u>	<u>955,756</u>

6 INCOME TAX EXPENSES

Items	2023 RMB('000)	2022 RMB('000) (Restated)
Current income tax expenses	21,580	8,284
Deferred income tax expenses	(21,752)	13,031
Total	<u>(172)</u>	<u>21,315</u>

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

Items	2023 RMB('000)	2022 RMB('000) (Restated)
Total profit	50,131	183,475
Income tax expenses calculated by the applicable tax rates of the parent	7,543	27,521
Effect of different tax rates applicable to subsidiaries	(182)	1,249
Effect of adjusting income tax from prior periods	(3,026)	–
Effect of non-taxable income	(5,154)	(5,235)
Effect of non-deductible costs, expenses and losses	465	127
Effect of utilising deductible temporary differences or deductible losses of unrecognised deferred income tax assets in prior periods	–	(3)
Effect of deductible temporary differences or deductible losses of unrecognised deferred income tax assets during the period	1,550	1
Effect of additional deduction on research and development expense, salaries of disabled employees and fixed assets	(2,218)	(6,126)
Others	850	3,781
Income tax expenses	<u>(172)</u>	<u>21,315</u>

7 EARNINGS PER SHARE

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

Items	2023 RMB('000)	2022 RMB('000) (Restated)
Net profit attributable to owners of the parent of the Company	49,445	161,033
Weighted average number of ordinary shares in issue	897,840	897,840
Basic earnings per share (<i>RMB per share</i>)	<u>0.06</u>	<u>0.18</u>

There were no potential dilutive ordinary shares for the years ended 31 December 2022 and 2023. Diluted earnings per share were equal to basic earnings per share.

8 NOTES RECEIVABLE

Items	31 December 2023 RMB('000)	31 December 2022 RMB('000)
Book balance of notes receivable	72,783	69,323
Less: Provision for bad debts	<u>549</u>	<u>1,984</u>
Book value of notes receivable	<u>72,234</u>	<u>67,339</u>

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

9 ACCOUNTS RECEIVABLE

(a) Breakdown

Items	31 December 2023 RMB('000)	31 December 2022 RMB('000)
Book balance of accounts receivable	1,423,357	1,502,835
Less: Provision for bad debts	<u>234,489</u>	<u>194,176</u>
Book value of accounts receivable	<u>1,188,868</u>	<u>1,308,659</u>

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

Items	31 December 2023 RMB('000)	31 December 2022 RMB('000)
Within 1 year	751,571	902,146
1 to 2 years	357,967	380,351
2 to 3 years	134,979	73,476
Over 3 years	<u>178,840</u>	<u>146,862</u>
Total	<u>1,423,357</u>	<u>1,502,835</u>

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

10 BILLS PAYABLE

Items	31 December 2023 RMB('000)	31 December 2022 RMB('000)
Bills payable	<u>32,595</u>	<u>73,801</u>
Total	<u>32,595</u>	<u>73,801</u>

11 ACCOUNTS PAYABLE**(a) Breakdown**

Items	31 December 2023 RMB('000)	31 December 2022 RMB('000)
Accounts payable	<u>350,349</u>	<u>374,434</u>
Total	<u>350,349</u>	<u>374,434</u>

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

Items	31 December 2023 RMB('000)	31 December 2022 RMB('000)
Within 1 year	<u>280,977</u>	<u>312,748</u>
Over 1 year	<u>69,372</u>	<u>61,686</u>
Total	<u>350,349</u>	<u>374,434</u>

12 DIVIDENDS

	2023 RMB('000)	2022 RMB('000)
Dividends paid/declared	<u>9,000</u>	<u>44,982</u>

- (i) The final dividend for the year ended 31 December 2022 amounting to RMB44,981,784 (approximately RMB0.0501 per share (tax inclusive)), was approved by the shareholders at the annual general meeting of the Company held on 25 May 2023 and paid in July 2023.
- (ii) Pursuant to a resolution of the Board on 27 March 2024, a dividend of approximately RMB0.010024 per share (tax inclusive) for the year ended 31 December 2023, which amounted to dividend of RMB8,999,948, is proposed to be distributed at the annual general meeting of the Company to be held on 30 May 2024 and is subject to approval of the shareholders of the Company. The dividend payable was not reflected in these consolidated financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRIAL REVIEW AND ANALYSIS

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 year of 2023 increased by 5.2% year-on-year at constant prices.

According to the National Railway Administration, from January to November 2023, the fixed asset investments in national railways amounted to RMB640.7 billion, representing a year-on-year increase of 7.4%. As at 30 November 2023, the operational mileage of China's railways exceeded 155,500 km, of which 43,700 km were high-speed railways. Since November 2023, China State Railway Group Co., Ltd. has coordinated resources available for construction, improved arrangements for construction, strengthened safety and quality control, and promoted the railway construction in a scientific and orderly manner with a batch of new rail lines being completed and put into operation successively. The Jinan-Zhengzhou High-speed Railway was fully put into operation, the Lijiang-Shangri-La Railway and the Sichuan-Qinghai Railway (Qingbaijiangdong-Zhenjiangguan section) were put into operation and opened to traffic, and the railway construction in Western China has entered a stage of "acceleration". The projects under construction such as the Tianjin-Beijing Daxing Airport Intercity Railway, the Nanchang-Jingdezhen-Huangshan High-speed Railway, the Chengdu-Zigong-Yibin High-speed Railway, the Shantou-Shanwei High-speed Railway (Shantou nan-Shanwei section), the Longyan-Longchuan High-speed Railway (Longyan-Wuping section) have made important progress and entered the countdown stage for opening. At the same time, we accelerated the preliminary work of key projects, and started the construction of the Yan'an-Yulin High-speed Railway and the Huangtong-Baise Railway, giving an impetus to railway construction investment.

BUSINESS REVIEW

The Group is a leading rail fastening system product provider in the People's Republic of China (the "PRC"), with its major business focused on three business segments, including (1) rail fastening system products; (2) welding wire products; and (3) railway sleeper products. In 2023, total revenue of the Group amounted to approximately RMB1,196.1 million, representing a decrease of approximately 4.9%.

Rail Fastening System Products

For the year ended 31 December 2023, the revenue from rail fastening system products amounted to approximately RMB692.2 million, accounting for approximately 57.9% of the Group's total revenue and representing a decrease of approximately 20.5% over the revenue of approximately RMB870.5 million from this segment last year. This was resulted from the decrease in shipments of rail fastening system products due to the construction progress of railways.

During the year under review, the cost of sales relating to rail fastening system products decreased by approximately 28.3% from approximately RMB609.4 million in 2022 to approximately RMB437.1 million in 2023, which was mainly attributable to lower costs resulted from decrease in revenue from rail fastening system products and decrease in price of steel materials during the year under review.

As a result of decrease in revenue from rail fastening system products, gross profit of rail fastening system products decreased by approximately 2.3% from approximately RMB261.1 million in 2022 to approximately RMB255.1 million in 2023. The gross profit margin of rail fastening system products increased from approximately 30.0% in 2022 to approximately 36.9% in 2023 due to the decrease in price of steel materials and change in product structure.

During the year under review, the Group's initial value of the agreements entered into on supplying rail fastening systems was approximately RMB1,345.6 million, representing an increase of approximately 14.7% as compared to 2022. Specifically, the initial value of the agreements entered into on supplying high-speed rail fastening systems amounted to approximately RMB986.1 million, representing an increase of approximately 24.5% as compared to 2022; the initial value of the agreements entered into on supplying urban transit fastening systems amounted to approximately RMB224.8 million; and the initial value of the agreements entered into on normal-speed rail fastening systems amounted to approximately RMB134.7 million. As of 31 December 2023, the backlog of the Group amounted to approximately RMB1,730 million (value-added tax included).

Welding Wire Products

For the year ended 31 December 2023, the revenue from welding wire products amounted to approximately RMB382.2 million, accounting for approximately 32.0% of the total revenue of the Group and representing an increase of approximately 22.8% from approximately RMB311.2 million for the year of 2022. The change in revenue was mainly attributable to the increase in sales volume of flux cored wire products during the year under review.

During the year under review, the cost of sales from welding wire products increased by approximately 27.3% to approximately RMB373.8 million in 2023 from approximately RMB293.7 million in 2022, which was mainly attributable to the increase in sales volume of welding wire products during the year under review.

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

Railway Sleeper Products

For the year ended 31 December 2023, the revenue from railway sleeper products was approximately RMB112.9 million, accounting for approximately 9.4% of the Group's total revenue and representing an increase of approximately 64.6% from approximately RMB68.6 million in 2022. The change in revenue was mainly attributable to the expansion of sales area of the Company's railway sleeper products with the Company's development of the railway sleeper market in Southwest China during the year under review.

During the year under review, the cost of sales of railway sleeper products increased by approximately 85.6% from approximately RMB47.9 million in 2022 to approximately RMB88.9 million in 2023, mainly attributable to the increase in sales volume of railway sleeper products.

PERFORMANCE ANALYSIS AND DISCUSSION

Revenue

The Group's business operations mainly comprise research and development, manufacturing and sales of rail fastening system products, welding wire products and railway sleeper products. The above business segments have brought sustained and stable revenue to the Group. In 2023, the revenue of the Group decreased to approximately RMB1,196.1 million from approximately RMB1,258.3 million in 2022, mainly as a result of decrease in revenue from rail fastening system products.

Revenue related to rail fastening system products decreased by approximately 20.5% to approximately RMB692.2 million in 2023 from approximately RMB870.5 million in 2022, which was attributable to the decrease in shipments of rail fastening system products due to the construction progress of railways.

Revenue related to welding wire products increased by approximately 22.8% from approximately RMB311.2 million in 2022 to approximately RMB382.2 million in 2023. The change in revenue from welding wire products was mainly attributable to the increase in sales volume of flux cored wire products during the year under review.

Revenue related to railway sleeper products increased by approximately 64.6% from approximately RMB68.6 million in 2022 to approximately RMB112.9 million in 2023. The change in revenue from railway sleeper products was mainly attributable to the expansion of sales area of the Company's railway sleeper products with the Company's development of railway sleeper market in Southwest China during the year under review.

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

Operating Cost

The Group's operating cost decreased by approximately 5.3% to approximately RMB904.8 million in 2023 from approximately RMB955.8 million in 2022, which was mainly attributable to the decrease in operating revenue from rail fastening system products during the year under review.

Operating cost related to rail fastening system products decreased by approximately 28.3% to approximately RMB437.1 million in 2023 from approximately RMB609.4 million in 2022, which was mainly attributable to decrease in revenue from rail fastening system products and decrease in price of steel materials during the year under review.

Operating cost related to welding wire products increased by approximately 27.3% to approximately RMB373.8 million in 2023 from approximately RMB293.7 million in 2022, which was mainly attributable to increase in sales volume of welding wire products during the year under review.

Operating cost related to railway sleeper products increased by approximately 85.6% to approximately RMB88.9 million in 2023 from approximately RMB47.9 million in 2022, which was mainly attributable to increase in the sales volume of railway sleeper products during the year under review.

Gross Profit

Based on the aforesaid reasons, the Group recorded a gross profit of approximately RMB291.3 million in 2023, representing a year-on-year decrease of approximately 3.7% as compared to the gross profit of approximately RMB302.5 million in 2022, which was mainly due to the change in product structure.

Gross profit of rail fastening system products decreased by approximately 2.3% from approximately RMB261.1 million in 2022 to approximately RMB255.1 million in 2023, and the gross profit margin increased from approximately 30.0% in 2022 to approximately 36.9% in 2023, which was mainly attributable to the decrease in price of steel materials and change in product structure during the year under review.

Gross profit of welding wire products decreased by approximately 52.0% to approximately RMB8.4 million in 2023 from approximately RMB17.5 million in the same period of 2022. Gross profit margin decreased from approximately 5.6% in 2022 to approximately 2.2% in the same period of 2023, which was mainly because solid core welding wire products were in the promotion stage during the year under review and had lower gross profit.

Gross profit of railway sleeper products increased by approximately 16.0% to approximately RMB23.9 million in 2023 from approximately RMB20.6 million in 2022. Gross profit margin decreased to 21.2% from approximately 30.0% in 2022, which was mainly attributable to the increase in purchase of finished products as the railway sleeper base in Southwest China was still in the process of achieving mass production of products during the year under review.

Selling Expenses

Selling expenses of the Group increased to approximately RMB19.8 million in 2023 from approximately RMB18.7 million in 2022. For the years ended 31 December 2022 and 2023, selling expenses as a percentage of total revenue accounted for approximately 1.5% and 1.7%, respectively. The increase in selling expenses was mainly attributable to the increase in travel expenses and business entertainment expenses due to the enhancement of market development during the year under review.

Management Expenses

Management expenses of the Group increased to approximately RMB95.5 million in 2023 from approximately RMB79.7 million in 2022. For the years ended 31 December 2022 and 2023, management expenses as a percentage of total revenue accounted for approximately 6.3% and 8.0%, respectively. The increase in management expenses was mainly due to the increase in depreciation expense during the year under review.

Research and Development Expenses

Research and development expenses of the Group decreased to approximately RMB33.3 million in 2023 from approximately RMB42.9 million in 2022. The decrease in research and development expenses was mainly due to the decrease in research and development investment for the year under review. For the years ended 31 December 2022 and 2023, research and development expenses as a percentage of total revenue accounted for approximately 3.4% and 2.8%, respectively.

Finance Costs

In 2023, the Group incurred total finance costs of approximately RMB17.5 million, representing a year-on-year decrease of approximately 11.2% as compared to total finance costs of approximately RMB19.7 million in 2022. Under this category, interest income increased by approximately 20.0% to approximately RMB2.4 million in 2023 from approximately RMB2.0 million in 2022. Interest costs decreased by approximately 11.4% to approximately RMB18.7 million in 2023 from approximately RMB21.1 million in 2022. The decrease in finance costs was mainly due to decrease in interest costs during the year under review.

Investment Gains/Losses

In 2023, the Group's investment losses totalled approximately RMB33.5 million while the investment gains totalled approximately RMB41.0 million in 2022, primarily caused by the change (up to the date of disposal) in price of Hong Kong listed company securities disposed during the year under review. The Group recorded an aggregate of approximately RMB34.4 million in share of investment gains from associates and joint ventures in 2023 while the share of investment gains were approximately RMB32.7 million in 2022. The increase in the investment gains recorded from associates and joint ventures was mainly attributable to the increase in net profit of associates during the year under review.

Loss on Credit Impairment

Loss on credit impairment of the Group decreased to approximately RMB36.9 million in 2023 from approximately RMB45.9 million in 2022. For the years ended 31 December 2022 and 2023, loss on credit impairment as a percentage of total revenue accounted for approximately 3.6% and 3.1%, respectively. The decrease in loss on credit impairment was mainly due to the increase in payment recovery during the year under review.

Impairment Loss of Assets

Impairment loss of assets of the Group decreased to approximately RMB18.9 million in 2023 from approximately RMB37.6 million in 2022. For the years ended 31 December 2022 and 2023, impairment loss of assets as a percentage of total revenue accounted for approximately 3.0% and 1.6%, respectively. The decrease in impairment loss of assets was primarily due to the decrease in impairment loss of goodwill during the year under review.

Total Profit

Based on the aforesaid reasons, the Group recorded operating profit of approximately RMB50.1 million in 2023, representing a year-on-year decrease of approximately 72.7% as compared to operating profit of approximately RMB183.4 million recorded in 2022, which was mainly attributable to the change (up to the date of disposal) in price of Hong Kong listed company securities disposed of during the year under review.

Income Tax

Income tax expenses of the Group decreased to approximately RMB-0.2 million in 2023 from approximately RMB21.3 million (restated) in 2022, which was mainly attributable to decrease in total profit during the year under review.

The applicable corporate income tax rate for the Company and its subsidiary Xingtai Juneng Railway Electrical Equipment Co, Ltd.* (邢臺炬能鐵路電氣器材有限公司) was 15% for 2023. The applicable tax rates for other subsidiaries in Mainland China were 25% and 20% for 2023.

Net Profit

Based on the aforesaid reasons, the net profit decreased by approximately 69.0% from RMB162.1 million (restated) in 2022 to approximately RMB50.3 million in 2023. Net profit margin decreased to approximately 4.2% for the year under review from approximately 12.9% for the year ended 31 December 2022, which was mainly attributable to the change (up to the date of disposal) in price of Hong Kong listed company securities disposed of during the year under review.

Net Profit Attributable to Owners of the Parent

The Group's net profit attributable to owners of the parent amounted to approximately RMB49.4 million in 2023, representing a decrease of approximately 69.3% from approximately RMB161.0 million (restated) in 2022. In 2023, basic earnings per share amounted to approximately RMB0.06, representing a decrease from that of 2022.

Financial Resources and Capital Structure

As at 31 December 2023, the Group had cash and cash equivalents of approximately RMB90.1 million, accounts receivable of approximately RMB1,188.9 million, accounts payable of approximately RMB350.3 million, and outstanding borrowings of approximately RMB506.7 million. As at 31 December 2023, the above cash and cash equivalents included approximately RMB0.7 million equivalents of Hong Kong dollars.

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

The Group usually satisfies its daily working capital requirements through self-owned cash and borrowings. In December 2016, the Company completed its listing on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and issued a total of 224,460,000 H Shares. As at 31 December 2023, the outstanding borrowings of the Group included total short-term borrowings of approximately RMB198.1 million, total non-current liabilities of approximately RMB158.3 million due within one year and total long-term borrowings of approximately RMB150.3 million. The Group will promptly repay the aforesaid borrowings when due.

Total Assets

As at 31 December 2023, the total assets of the Group were approximately RMB3,439.1 million, representing a decrease of approximately RMB156.2 million or approximately 4.3% from those as at 31 December 2022, which was mainly attributable to the decrease in bank borrowings at the end of the year.

Total Liabilities

As at 31 December 2023, the total liabilities of the Group were approximately RMB960.3 million, representing a decrease of approximately RMB161.9 million or approximately 14.4% from those as at 31 December 2022, mainly because of the decrease in bank borrowings at the end of the year.

Total Equity

As at 31 December 2023, the total equity of the Group was approximately RMB2,478.8 million, representing an increase of approximately RMB5.5 million from that as at 31 December 2022, which was mainly attributable to increase in earning balance of the Group during the year under review.

Gearing Ratio

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

As at 31 December 2023, the Group's gearing ratio was 14.4%, representing a decrease of 3.0% percentage points as compared to 17.4% as at 31 December 2022, which was mainly attributable to decrease in total borrowings at the end of the year.

Employees and Remuneration Policies

As at 31 December 2023, the Group incurred total staff costs of approximately RMB107.1 million for 1,300 employees, representing a decrease of approximately RMB1.9 million or approximately 1.8% as compared to the same period of 2022, which was mainly attributable to the decrease in the number of employees during the year under review.

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

FUTURE PROSPECTS

According to the working meeting of China State Railway Group Co., Ltd. ("**State Railway Group**"), in 2024, priorities will be maintaining railway safety and stability, and completing the national railway investment task in an all-round manner. More than 1,000 km of new lines will be put into operation.

A leaders and cadres meeting of 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 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.

As a leading rail fastening system and railway sleeper provider in the railway industry of China, the Group will seize the market development opportunities, carry out research and development actively and stimulate innovation, participate in the formulation and revision of standards, and strive to improve product quality and service standards, with the aim of providing high-standard, quality rail fastening system products and railway sleeper products. This will facilitate the implementation of railway-related projects under the 102 key construction projects identified by the Outline of the national “14th Five-Year Plan”, making our contribution to the high-level construction and safe operation of railways in China. Meanwhile, the Group will also actively explore opportunities for vertical expansion in the industry and enhance the core competitiveness and profitability of the Group with a diversified product offering, so as to give back to shareholders and investors.

EVENTS AFTER THE PERIOD

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

PUBLIC FLOAT

Based on the publicly available information to the Company and to the knowledge of the Directors, not less than 25% of the shares of the Company in issue are held by the public for the year ended 31 December 2023, in accordance with the requirement of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”).

ANNUAL GENERAL MEETING

The annual general meeting (the “**AGM**”) will be held on Thursday, 30 May 2024. Shareholders of the Company (the “**Shareholders**”) may refer to the notice and form of proxy of the AGM to be issued by the Company for details regarding the meeting.

FINAL DIVIDEND

The Board resolved to recommend the payment of a final dividend of RMB0.010024 per share (tax inclusive) for the year ended 31 December 2023 (the “**2023 Final Dividend**”) with an aggregate net amount of RMB8,999,948 to the Shareholders whose names appear on the Company’s register of members as at Friday, 7 June 2024, subject to the approval by the Shareholders at the forthcoming AGM to be held on Thursday, 30 May 2024. Subject to the passing of the relevant resolution at the AGM, the 2023 Final Dividend is expected to be paid on or around 25 July 2024.

WITHHOLDING AND PAYMENT OF INCOME TAX ON BEHALF OF OVERSEAS SHAREHOLDERS

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

In accordance with the tax laws and relevant requirements under taxation regulatory institutions of the PRC, the Company is required to withhold 10% enterprise income tax when it distributes the 2023 Final Dividend to all non-resident enterprise Shareholders (including HKSCC Nominees Limited, other nominees, trustees or other entities and organisations, who will be deemed as non-resident enterprise Shareholders) whose names appear on the H share register of members of the Company on Friday, 7 June 2024.

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

As such, when distributing the 2023 Final Dividend pursuant to the register of members of domestic corporate investors as holders of H shares of the Company as at Friday, 7 June 2024 provided by China Securities Depository and Clearing Corporation Limited (“**CSDC**”), the Company shall not withhold income tax on dividends for domestic corporate investors. The tax payable shall be reported and paid by the enterprises themselves.

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

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

As such, when distributing the 2023 Final Dividend pursuant to the register of members of domestic individual investors (including domestic securities investment funds) as holders of H shares of the Company as at Friday, 7 June 2024 provided by CSDC, the Company shall withhold and pay individual income tax in accordance with the requirements mentioned above on behalf of the investors.

Pursuant to the “Notice on Matters concerning the Levy and Administration of Individual Income Tax after the Repeal of Guo Shui Fa [1993] No. 045” (《關於國稅發[1993]045號檔廢止後有關個人所得稅徵管問題的通知》) (the “**Tax Notice**”) issued by the State Taxation Administration and the letter titled “Tax Arrangements on Dividends Paid to Hong Kong Residents by Mainland Companies” issued by the Stock Exchange, the overseas resident individual shareholders of the shares issued by domestic non-foreign invested enterprises in Hong Kong are entitled to the relevant preferential tax treatment pursuant to the provisions on the tax treaties between the countries where they reside and China and the tax arrangements between Mainland China and Hong Kong (Macau). The Company shall identify the residential status of Individual H Shareholders according to their registered addresses on the H share register of members of the Company on Friday, 7 June 2024 (the “**Registered Address**”). The Company assumes no responsibility and disclaims any liabilities whatsoever in relation to the tax status or tax treatment of the Individual H Shareholders and for any claims arising from any delay in or inaccurate determination of the tax status or tax treatment of the Individual H Shareholders or any disputes over the withholding mechanism or arrangements. Details of the arrangements are as follows:

- For Individual H Shareholders who are Hong Kong or Macau residents or residents of another country (region) which has entered into a tax treaty with the PRC stipulating a tax rate of 10%, the Company will withhold and pay individual income tax at the rate of 10% on behalf of these Individual H Shareholders in the distribution of final dividend;
- For Individual H Shareholders who are residents of a country (region) which has entered into a tax treaty with the PRC stipulating a tax rate of less than 10%, the Company will temporarily withhold and pay individual income tax at the rate of 10% on behalf of these Individual H Shareholders in the distribution of final dividend. If relevant Individual H Shareholders would like to apply for a refund of the excess amount of tax withheld and paid, the Company will handle, on their behalf, the applications for tax preferential treatments under the Tax Notice. Qualified shareholders shall submit a letter of entrustment and all application materials as required under the Tax Notice to the Company’s H share registrar, Computershare Hong Kong Investor Services Limited, in a timely manner. The Company will then submit the above documents to competent tax authorities for their examination, and if and when approved, the Company will assist in refunding the excess amount of tax withheld and paid;
- For Individual H Shareholders who are residents of a country (region) which has entered into a tax treaty with the PRC stipulating a tax rate of more than 10% but less than 20%, the Company will withhold and pay individual income tax at the effective tax rate stipulated in the relevant tax treaty on behalf of these Individual H Shareholders in the distribution of final dividend; and

- For Individual H Shareholders who are residents of a country (region) which has entered into a tax treaty with the PRC stipulating a tax rate of 20%, or a country (region) which has not entered into any tax treaties with the PRC, or under any other circumstances, the Company will withhold and pay individual income tax at the rate of 20% on behalf of these Individual H Shareholders in the distribution of final dividend.

If the domicile of an Individual H Shareholder is not the same as the Registered Address or if the Individual H Shareholder would like to apply for a refund of the final excess amount of tax withheld and paid, he or she shall notify and provide relevant supporting documents to the Company on or before Tuesday, 4 June 2024. Upon examination of the supporting documents by the relevant tax authorities, the Company will comply with the guidelines of the tax authorities to implement regulations and arrangements related to withholding and payment. Individual H Shareholders carry out the relevant procedures on their own or through representatives in accordance with the relevant requirements under the “Administrative Measures on Preferential Treatment Entitled by Non-residents under Tax Treaties” (Guo Shui Fa [2015] No. 60) (《非居民納稅人享受稅收協定待遇管理辦法》(國稅發[2015]60號)) if they fail to provide the relevant supporting documents to the Company before the time limit stated above.

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

CLOSURE OF REGISTER OF MEMBERS

In order to determine the list of Shareholders who are entitled to attend and vote at the AGM to be held on Thursday, 30 May 2024, the register of members of the Company will be closed from Monday, 27 May 2024 to Thursday, 30 May 2024 (both days inclusive), during which no transfer of shares will be registered. Holders of H shares and domestic shares whose names appear on the register of members of the Company on Thursday, 30 May 2024 are entitled to attend and vote at the AGM. Holders of H shares of the Company intending to attend and vote at the AGM shall lodge all share transfer documents together with the relevant H share certificates with the Company’s H share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong, no later than 4:30 p.m. on Friday, 24 May 2024 (Hong Kong time) for share transfer registration.

In order to determine the list of Shareholders who are entitled to the 2023 Final Dividend, the register of members of the Company will be closed from Wednesday, 5 June 2024 to Friday, 7 June 2024 (both days inclusive), during which no transfer of shares will be registered. Holders of H shares and domestic shares whose names appear on the register of members of the Company on Friday, 7 June 2024 are entitled to the 2023 Final Dividend. Holders of H shares of the Company intending to receive the 2023 Final Dividend shall lodge all share transfer documents together with the relevant H share certificates with the Company’s H share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong, no later than 4:30 p.m. on Tuesday, 4 June 2024 (Hong Kong time) for share transfer registration.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company for the year ended 31 December 2023.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

As a company listed on the Stock Exchange, the Company always strives to maintain a high level of corporate governance and has complied with all code provisions as set out in the “Corporate Governance Code” contained in Appendix C1 (formerly known as Appendix 14) to the Listing Rules for the year ended 31 December 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 C3 (formerly known as Appendix 10) to the Listing Rules as the code of conduct regarding securities transactions of the Company by the Directors and supervisors of the Company. Upon making specific enquiries to all of the Directors and supervisors of the Company, all Directors and supervisors of the Company confirmed that for the year ended 31 December 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”.

AUDITOR

The financial figures in respect of the Group’s consolidated financial statements and the related notes thereto for the year ended 31 December 2023 as set out in this preliminary announcement have been agreed by the Group’s auditor, Pan-China Certified Public Accountant LLP (天健會計師事務所(特殊普通合夥)) (“PCCPA”), Certified Public Accountants, to the amounts set out in the Group’s consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by PCCPA in this respect did not constitute an audit, review or other assurance engagement in accordance with the Auditing Standards for Certified Public Accountants of China (《中國註冊會計師審計準則》), the Standards on Review Engagements for Certified Public Accountants of China (《中國註冊會計師審閱準則》) or the Standards on Other Assurance Engagements for Certified Public Accountants of China (《中國註冊會計師其他鑒證業務準則》) and consequently no assurance has been expressed by PCCPA.

AUDIT COMMITTEE

The audit committee of the Company has reviewed the Group’s 2023 annual results and the financial statements for the year ended 31 December 2023 prepared in accordance with the PRC Accounting Standards.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This results announcement is published on the HKEXnews website of the Stock Exchange at <http://www.hkexnews.hk> and on the website of the Company at <http://www.hbyc.com.cn>. The 2023 annual report containing all the information required by the Listing Rules 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, 27 March 2024

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*