



# 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



**2024**  
INTERIM REPORT



\* For identification purpose only



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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 SECRETARY

Ms. Ng Wai Kam (ACG, HKACG)

## AUTHORISED REPRESENTATIVES

Mr. Zhang Haijun  
 Ms. Ng Wai Kam

## ALTERNATES TO THE AUTHORISED REPRESENTATIVES

Mr. Wu Jinyu  
 Mr. Zhang Chao

## 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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 40/F, Jardine House  
 1 Connaught Place, Central  
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**PRC LEGAL ADVISER**

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 77 Jianguo Road  
 Chaoyang District, Beijing  
 China

**REGISTERED OFFICE AND HEADQUARTERS**

No. 1 Yichen North Street  
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 Shijiazhuang City  
 Hebei Province  
 China

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 Shijiazhuang City  
 Hebei Province  
 China

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 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. 3-119 [2024]

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 2024, the consolidated income statement, the consolidated statement of cash flows and the consolidated statement of changes in owners’ equity from January to June 2024, 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: **Li Lian**

Chinese Certified Public Accountant: **Li Xin**

29 August 2024

# CONSOLIDATED BALANCE SHEET (UNAUDITED)

As at 30 June 2024

	Notes	30 June 2024 RMB('000) (Unaudited)	31 December 2023 RMB('000) (Audited)
<b>Current assets:</b>			
Monetary capital		189,379	132,087
Financial assets held for trading		41,544	101,346
Notes receivable	1	46,665	72,234
Accounts receivable	2	1,075,505	1,188,868
Financing of receivables		6,993	3,250
Prepayments		28,776	19,801
Other receivables		27,647	10,036
Inventories	3	435,713	355,301
Contract assets		38,900	38,934
Other current assets		19,782	26,457
<b>Total current assets</b>		<b>1,910,904</b>	<b>1,948,314</b>
<b>Non-current assets:</b>			
Long-term equity investments	4	290,483	281,807
Other equity instruments investment		8,197	8,197
Fixed assets	5	708,039	709,720
Construction in progress		139,764	157,137
Right-of-use assets		1,532	–
Intangible assets		144,330	138,296
Goodwill		73,408	73,408
Long-term deferred expenses		765	856
Deferred income tax assets		46,178	33,161
Other non-current assets		144,204	88,296
<b>Total non-current assets</b>		<b>1,556,900</b>	<b>1,490,878</b>
<b>Total assets</b>		<b>3,467,804</b>	<b>3,439,192</b>

## Consolidated Balance Sheet (Unaudited)

As at 30 June 2024

	Notes	30 June 2024 RMB('000) (Unaudited)	31 December 2023 RMB('000) (Audited)
<b>Current liabilities:</b>			
Short-term borrowings		210,757	198,145
Notes payable		22,075	32,595
Accounts payable	6	399,580	350,349
Contract liabilities		12,918	14,747
Payroll payable		6,877	6,010
Tax payable		3,341	18,602
Other payables		24,689	22,517
Non-current liabilities due within one year		125,003	158,340
Other current liabilities		1,921	3,905
<b>Total current liabilities</b>		<b>807,161</b>	805,210
<b>Non-current liabilities:</b>			
Long-term borrowings		227,460	150,310
Lease liabilities		622	-
Deferred income		4,362	4,478
Deferred income tax liabilities		279	290
<b>Total non-current liabilities</b>		<b>232,723</b>	155,078
<b>Total liabilities</b>		<b>1,039,884</b>	960,288
<b>Owner's equity (or shareholders' equity):</b>			
Paid-in capital (or share capital)		448,920	448,920
Capital reserve		813,726	813,539
Other comprehensive income ("-" for losses)		-124	-124
Surplus reserve		156,495	156,495
Undistributed profits		995,753	1,046,930
Total equity attributable to owners of the parent		2,414,770	2,465,760
Minority interests		13,150	13,144
<b>Total owner's equity</b>		<b>2,427,920</b>	2,478,904
<b>Total liabilities and owner's equity</b>		<b>3,467,804</b>	3,439,192

# CONSOLIDATED INCOME STATEMENT (UNAUDITED)

For the six months ended 30 June 2024

	Notes	For the six months ended 30 June	
		2024 RMB('000) (Unaudited)	2023 RMB('000) (Unaudited)
<b>I. Total operating revenue</b>	1	<b>498,707</b>	542,641
<b>II. Total operating cost</b>		<b>478,062</b>	507,417
Including: Operating cost	1	<b>397,119</b>	419,425
Taxes and surcharges		<b>6,357</b>	7,480
Selling expenses		<b>10,267</b>	9,700
Management expenses		<b>42,191</b>	44,119
Research and development expenses	2	<b>13,025</b>	17,276
Finance costs		<b>9,103</b>	9,417
Including: Finance expenses		<b>8,728</b>	10,025
Interest income		<b>358</b>	1,324
Add: Other income		<b>808</b>	1,406
Investment gains (“-” for losses)	3	<b>8,273</b>	-47,930
Including: Gains on investments in associates and joint ventures		<b>7,600</b>	18,539
Gains on derecognition of financial assets measured at amortised cost (“-” for losses)		<b>-7</b>	-71
Gain from changes in fair value (“-” for losses)	4	<b>-58,506</b>	-28,059
Loss on credit impairment (“-” for losses)	5	<b>-14,637</b>	-3,411
Impairment loss of assets (“-” for losses)	6	<b>-8,201</b>	-6,389
<b>III. Operating profits (“-” for losses)</b>		<b>-51,618</b>	-49,159
Add: Non-operating incomes		<b>62</b>	1,387
Less: Non-operating expenses		<b>37</b>	122
<b>IV. Total profit (“-” for total losses)</b>		<b>-51,593</b>	-47,894
Less: Income tax expenses	7	<b>-9,422</b>	-14,400
<b>V. Net profit (“-” for net losses)</b>		<b>-42,171</b>	-33,494
(I) Classified according to continuity:			
1. Net profit from continuing operations (“-” for net losses)		<b>-42,171</b>	-33,494
2. Net profit from discontinued operations (“-” for net losses)		<b>-</b>	-
(II) Classified according to equity holdings:			
1. Net profit attributable to owners of the parent (“-” for net losses)		<b>-42,177</b>	-33,914
2. Profit or loss of minority interests (“-” for net losses)		<b>6</b>	420



## Consolidated Income Statement (Unaudited)

For the six months ended 30 June 2024

	For the six months ended 30 June	
	2024 RMB('000) (Unaudited)	2023 RMB('000) (Unaudited)
<b>VI. Other comprehensive income after tax, net</b>	-	
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	-	-
<b>VII. Total comprehensive income</b>	<b>-42,171</b>	<b>-33,494</b>
Total comprehensive income attributable to owners of the parent	<b>-42,177</b>	<b>-33,914</b>
Total comprehensive income attributable to minority interests	<b>6</b>	<b>420</b>
<b>VIII. Earnings/(losses) per share:</b>		
(I) Basic earnings/losses per share (“-” for losses) (RMB)	<b>-0.05</b>	-0.04
(II) Diluted earnings/losses per share (“-” for losses) (RMB)	<b>-0.05</b>	-0.04

# CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

For the six months ended 30 June 2024

	For the six months ended 30 June	
	2024 RMB('000) (Unaudited)	2023 RMB('000) (Unaudited)
<b>I. Cash flows from operating activities:</b>		
Cash received from sales of goods or rendering of labour service	438,449	627,282
Refund of taxes	20,691	–
Other cash received from operating-related activities	14,610	54,758
<b>Sub-total of cash inflow from operating activities</b>	<b>473,750</b>	<b>682,040</b>
Cash paid for goods purchased and labour service received	291,779	361,365
Cash paid to and for employees	50,136	54,894
Payments of taxes and surcharges	39,560	47,887
Other cash paid for operating-related activities	67,341	54,326
<b>Sub-total of cash outflow from operating activities</b>	<b>448,816</b>	<b>518,472</b>
<b>Net cash flows from operating activities</b>	<b>24,934</b>	<b>163,568</b>
<b>II. Cash flows from investing activities:</b>		
Cash from disinvestments	9,682	55,597
Cash received from return of investments	12,789	6,676
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	249	79
<b>Sub-total of cash inflows from investing activities</b>	<b>22,720</b>	<b>62,352</b>
Cash paid for the purchase and construction of fixed assets, intangible assets and other long-term assets	54,960	48,938
Cash paid for investment	9,796	–
<b>Sub-total of cash outflows from investing activities</b>	<b>64,756</b>	<b>48,938</b>
<b>Net cash flows from investing activities</b>	<b>-42,036</b>	<b>13,414</b>

## Consolidated Statement of Cash Flows (Unaudited)

For the six months ended 30 June 2024

	For the six months ended 30 June	
	2024 RMB('000) (Unaudited)	2023 RMB('000) (Unaudited)
<b>III. Cash flows from financing activities:</b>		
Cash received from borrowings	229,603	94,500
Other cash received from financing-related activities	–	14,800
<b>Sub-total of cash inflows from financing activities</b>	<b>229,603</b>	<b>109,300</b>
Cash paid for repayment of debts	161,770	208,040
Cash paid for distribution of dividends and profits or repayment of interest	8,699	10,025
Other cash paid for financing-related activities	700	–
<b>Sub-total of cash outflows for financing activities</b>	<b>171,169</b>	<b>218,065</b>
<b>Net cash flows from financing activities</b>	<b>58,434</b>	<b>-108,765</b>
<b>IV. Effect of changes in foreign exchange rates on cash and cash equivalents</b>	<b>-388</b>	<b>-238</b>
<b>V. Net increase in cash and cash equivalents</b>	<b>40,944</b>	<b>67,979</b>
Add: Opening balance of cash and cash equivalents	90,061	77,020
<b>VI. Closing balance of cash and cash equivalents</b>	<b>131,005</b>	<b>144,999</b>

# CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY (UNAUDITED)

For the six months ended 30 June 2024

Items	For the six months ended 30 June 2024 (Unaudited)						
	Equity attributable to owners of the parent						
	Paid-up capital (or share capital) RMB('000)	Capital reserve RMB('000)	Other comprehensive income RMB('000)	Surplus reserve RMB('000)	Undistributed profits RMB('000)	Minority interests RMB('000)	Total owners' equity RMB('000)
<b>I. Closing balance of prior year</b>	448,920	813,539	-124	156,495	1,046,930	13,144	2,478,904
Add: Changes in accounting policies							
<b>II. Opening balance of current year</b>	448,920	813,539	-124	156,495	1,046,930	13,144	2,478,904
<b>III. Increase or decrease for the period ("—" for decreases)</b>		187			-51,177	6	-50,984
(I) Total comprehensive income					-42,177	6	-42,171
(II) Capital invested and decreased by owners							
1. Ordinary shares invested by owners							
2. Capital invested by holders of other equity instruments							
3. Amounts of share-based payments included in owners' equity							
4. Others							
(III) Profit distribution					-9,000		-9,000
1. Appropriation to surplus reserve							
2. Withdrawal of provision for general risks							
3. Distribution to owners (or shareholders)					-9,000		-9,000
4. Others							
(IV) Others		187					187
<b>IV. Closing balance of current period</b>	448,920	813,726	-124	156,495	995,753	13,150	2,427,920

## Consolidated Statement of Changes in Owners' Equity (Unaudited)

For the six months ended 30 June 2024

Items	For the six months ended 30 June 2023 (Unaudited)						
	Equity attributable to owners of the parent						
	Paid-up capital (or share capital) RMB('000)	Capital reserve RMB('000)	Other comprehensive income RMB('000)	Surplus reserve RMB('000)	Undistributed profits RMB('000)	Minority interests RMB('000)	Total owners' equity RMB('000)
<b>I. Closing balance of prior year</b>	448,920	813,227	-124	151,797	1,047,164	12,286	2,473,270
Add: Changes in accounting policies							
<b>II. Opening balance of current year</b>	448,920	813,227	-124	151,797	1,047,164	12,286	2,473,270
<b>III. Increase or decrease for the period ("—" for decreases)</b>							
(I) Total comprehensive income					-78,896	420	-78,476
(II) Capital invested and decreased by owners					-33,914	420	-33,494
1. Ordinary shares invested by owners							
2. Capital invested by holders of other equity instruments							
3. Amounts of share-based payments included in owners' equity							
4. Others							
(III) Profit distribution					-44,982		-44,982
1. Appropriation to surplus reserve							
2. Withdrawal of provision for general risks							
3. Distribution to owners (or shareholders)					-44,982		-44,982
4. Others							
(IV) Others							
<b>IV. Closing balance of current period</b>	448,920	813,227	-124	151,797	968,268	12,706	2,394,794

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## I. 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 Administration for Market Regulation of Shijiazhuang (石家莊市市場監督管理局), with its 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 products including rail fastening system, welding wire and railway sleeper products. Its main products include rail fastening, welding wire and railway sleeper products.

These financial statements were approved for publication at the 21st meeting of the third session of the board of directors of the Company (the “**Board**”) on 29 August 2024.

## II. 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.

## III. 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 2023 annual report. The accounting policies adopted by the Company in preparation of this interim report are consistent with those adopted for the 2023 annual financial statements.

## Notes to the Interim Condensed Consolidated Financial Information

### III. 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 flows of the Company.

#### (III) Changes in Significant Accounting Policies

*Changes in accounting policies arising from alteration in accounting standards for business enterprises*

1. The Company has adopted the provision of “Classification of liabilities as current or non-current” under Interpretation No. 17 of the Accounting Standards for Business Enterprises issued by the Ministry of Finance since 1 January 2024. Such changes in the accounting policies have no impact on the Company’s financial statements.
2. The Company has adopted the provision of “Disclosure of supplier finance arrangements” under Interpretation No. 17 of the Accounting Standards for Business Enterprises issued by the Ministry of Finance since 1 January 2024.
3. The Company has adopted the provision of “Accounting treatment of sale and leaseback transactions” under Interpretation No. 17 of the Accounting Standards for Business Enterprises issued by the Ministry of Finance since 1 January 2024. Such changes in the accounting policies have no impact on the Company’s financial statements.
4. The Company has adopted the Interim Provisions on Accounting Treatment Relating to Enterprises’ Data Resources issued by the Ministry of Finance since 1 January 2024, and has implemented the provisions prospectively.

## Notes to the Interim Condensed Consolidated Financial Information

**IV. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS****(I) Notes to Items in the Consolidated Balance Sheet**

Notes: In the notes to these financial statements, the closing balance of last year represents the figures in the financial statements as at 31 December 2023, the closing balance represents the figures in the financial statements as at 30 June 2024, figures for the period refers to the figures in the financial statements from January to June 2024, and figures for the same period of last year refers to the figures in the financial statements from January to June 2023.

**1. Notes receivable**

Categories	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	48,496	100.00	1,831	3.78	46,665
Including: Bank acceptance notes	38,512	79.41			38,512
Trade acceptance notes	9,984	20.59	1,831	18.34	8,153
<b>Total</b>	<b>48,496</b>	<b>100.00</b>	<b>1,831</b>	<b>3.78</b>	<b>46,665</b>

Categories	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	72,783	100.00	549	0.75	72,234
Including: Bank acceptance notes	67,160	92.27			67,160
Trade acceptance notes	5,623	7.73	549	9.76	5,074
<b>Total</b>	<b>72,783</b>	<b>100.00</b>	<b>549</b>	<b>0.75</b>	<b>72,234</b>



## Notes to the Interim Condensed Consolidated Financial Information

**IV. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS** (Continued)**(I) Notes to Items in the Consolidated Balance Sheet** (Continued)2. *Accounts receivable*

- (1) Breakdown  
Breakdown by category

Categories	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	11,473	0.87	11,473	100.00	
Provision for bad debts made as per portfolio	1,308,143	99.13	232,638	17.78	1,075,505
Total	1,319,616	100.00	244,111	18.50	1,075,505

Categories	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	11,474	0.81	11,474	100.00	
Provision for bad debts made as per portfolio	1,411,883	99.19	223,015	15.80	1,188,868
Total	1,423,357	100.00	234,489	16.47	1,188,868

- (2) Ageing analysis

Items	Book balance	
	Closing balance RMB('000)	Closing balance of last year RMB('000)
Within 1 year	622,673	751,571
1 to 2 years	340,664	357,967
2 to 3 years	170,007	134,979
3 to 4 years	66,627	64,021
4 to 5 years	57,064	56,355
Over 5 years	62,581	58,464
Sub-total	1,319,616	1,423,357

## Notes to the Interim Condensed Consolidated Financial Information

**IV. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS** (Continued)**(I) Notes to Items in the Consolidated Balance Sheet** (Continued)3. *Inventories*

Items	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	59,238	2,671	56,567	51,496	3,037	48,459
Work in progress	46,960	713	46,247	50,551	616	49,935
Finished goods	346,811	22,255	324,556	256,909	17,876	239,033
Delivered goods	1,318		1,318	1,976		1,976
Materials for consigned processing	7,025		7,025	15,898		15,898
Total	461,352	25,639	435,713	376,830	21,529	355,301

4. *Long-term equity investments*(1) *Classification*

Items	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	290,483		290,483	281,807		281,807

## Notes to the Interim Condensed Consolidated Financial Information

**IV. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS** (Continued)**(I) Notes to Items in the Consolidated Balance Sheet** (Continued)

## 4. Long-term equity investments (Continued)

## (2) Breakdown

Investee	Opening balance RMB('000)	Increase or decrease during the period			Investment profit or loss recognised using equity method RMB('000)	Adjustment to other comprehensive income RMB('000)
		Additional investments RMB('000)	Decrease in investments RMB('000)			
Associate						
Hebei Tieke Yichen New Material Technology Co., Ltd. (hereinafter referred to as Tieke Yichen)	281,807				7,600	
<b>Total</b>	<b>281,807</b>				<b>7,600</b>	

Investee	Increase or decrease during the period				Closing balance RMB('000)	Closing balance of provision for impairment RMB('000)
	Other changes in equity RMB('000)	Cash dividends or profit distribution declared RMB('000)	Provision for impairment RMB('000)	Others RMB('000)		
Associate						
Tieke Yichen	187	(12,789)		13,678	290,483	
<b>Total</b>	<b>187</b>	<b>(12,789)</b>		<b>13,678</b>	<b>290,483</b>	

## Notes to the Interim Condensed Consolidated Financial Information

**IV. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS** (Continued)**(I) Notes to Items in the Consolidated Balance Sheet** (Continued)

## 5. Fixed assets

Items	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	585,676	376,699	18,300	20,088	3,222	1,003,985
Increase during the period	14,159	9,053	313	181	3,039	26,745
1) Purchase	121	1,705	313	49	344	2,532
2) Transfer from construction in progress	14,038	7,348		132	2,695	24,213
Decrease during the period		2,424		19		2,443
1) Disposal or retirement		2,424		19		2,443
Closing balance	599,835	383,328	18,613	20,250	6,261	1,028,287
Accumulated depreciation						
Opening balance	90,721	173,951	16,402	10,681	2,510	294,265
Increase during the period	13,346	12,303	240	1,830	181	27,900
1) Provision	13,346	12,303	240	1,830	181	27,900
Decrease during the period		1,899		18		1,917
1) Disposal or retirement		1,899		18		1,917
Closing balance	104,067	184,355	16,642	12,493	2,691	320,248
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	495,768	198,973	1,971	7,757	3,570	708,039
Opening book value	494,955	202,748	1,898	9,407	712	709,720

## Notes to the Interim Condensed Consolidated Financial Information

**IV. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS** *(Continued)***(I) Notes to Items in the Consolidated Balance Sheet** *(Continued)*6. *Accounts payable*

## (1) Breakdown

Items	Closing balance <i>RMB('000)</i>	Closing balance of last year <i>RMB('000)</i>
Payables for materials	<b>326,248</b>	280,897
Payables for technology transfer	<b>53,838</b>	49,583
Payables for transportation	<b>13,343</b>	12,325
Payables for electricity and others	<b>6,151</b>	7,544
Total	<b>399,580</b>	350,349

## (2) Ageing analysis

Items	Closing balance <i>RMB('000)</i>	Closing balance of last year <i>RMB('000)</i>
Within 1 year	<b>344,111</b>	280,977
Over 1 year	<b>55,469</b>	69,372
Sub-total	<b>399,580</b>	350,349

## Notes to the Interim Condensed Consolidated Financial Information

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

## (1) Breakdown

Items	Amounts for the period		Amounts for the same period of last year	
	Revenue RMB('000)	Cost RMB('000)	Revenue RMB('000)	Cost RMB('000)
Revenue from principal business	495,002	394,683	537,531	416,721
Other operating revenue	3,705	2,436	5,110	2,704
Total	498,707	397,119	542,641	419,425

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

Items	Amounts for the period		Amounts for the same period of last year	
	Revenue RMB('000)	Cost RMB('000)	Revenue RMB('000)	Cost RMB('000)
Rail fastening system	300,433	205,909	305,328	201,834
Welding wire	154,013	154,875	185,292	178,478
Railway sleepers	40,556	33,899	46,911	36,409
Others	3,705	2,436	5,110	2,704
Sub-total	498,707	397,119	542,641	419,425

2. *Research and development expenses*

Items	Amounts for the period RMB('000)	Amounts for the same period of last year RMB('000)
Payroll	3,268	4,012
Electricity charges	1,517	2,151
Depreciation	281	350
Others	203	358
Total	13,025	17,276

## Notes to the Interim Condensed Consolidated Financial Information

**IV. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS** *(Continued)***(II) Notes to Items in the Consolidated Income Statement** *(Continued)*3. *Investment gains/(losses)*

Items	Amounts for the period RMB('000)	Amounts for the same period of last year RMB('000)
Gains from long-term equity investment calculated under equity method	<b>7,600</b>	18,539
Losses on discount of financing of receivables	<b>(4)</b>	
Investment gains from financial assets held for trading during the holding period	<b>314</b>	366
Investment gains from disposal of financial assets held for trading	<b>428</b>	(66,764)
Gains/(losses) on derecognition of financial assets measured at amortised cost	<b>(7)</b>	(71)
Procedural fees for subscription of financial assets held for trading	<b>(58)</b>	
Total	<b>8,273</b>	(47,930)

4. *Gains/(losses) from changes in fair value*

Item	Amounts for the period RMB('000)	Amounts for the same period of last year RMB('000)
Financial assets held for trading	<b>(58,506)</b>	(28,059)
Total	<b>(58,506)</b>	(28,059)

## Notes to the Interim Condensed Consolidated Financial Information

**IV. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS** (Continued)**(II) Notes to Items in the Consolidated Income Statement** (Continued)5. *Loss on credit impairment*

Item	Amounts for the period RMB('000)	Amounts for the same period of last year RMB('000)
Loss on bad debts	<b>(14,637)</b>	(3,411)
Total	<b>(14,637)</b>	(3,411)

6. *Impairment loss of assets*

Items	Amounts for the period RMB('000)	Amounts for the same period of last year RMB('000)
Impairment loss of contract assets	<b>125</b>	(996)
Impairment loss of inventories	<b>(8,326)</b>	(5,393)
Total	<b>(8,201)</b>	(6,389)

7. *Income tax expenses*

Items	Amounts for the period RMB('000)	Amounts for the same period of last year RMB('000)
Current income tax expenses	<b>3,607</b>	2,989
Deferred income tax expenses	<b>(13,029)</b>	(17,389)
Total	<b>(9,422)</b>	(14,400)



## Notes to the Interim Condensed Consolidated Financial Information

### V. 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 higher 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 credit 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 2024, 40.87% (31 December 2023: 34.64%) of the Company's accounts receivable and contract assets 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

**V. 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 proper 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*

Items	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	562,617	581,604	346,964	234,640	
Bills payable	22,075	22,075	22,075		
Accounts payable	399,580	399,580	399,580		
Other payables	24,689	24,689	24,689		
Lease liabilities and lease liabilities due within one year	1,225	1,284	642	642	
Sub-total	1,010,186	1,029,232	793,950	235,282	

## Notes to the Interim Condensed Consolidated Financial Information

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

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

Items	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	506,795	523,561	368,823	154,738	
Bills payable	32,595	32,595	32,595		
Accounts payable	350,349	350,349	350,349		
Other payables	22,517	22,517	22,517		
Lease liabilities and lease liabilities due within one year					
Sub-total	912,256	929,022	774,284	154,738	

**(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 cash flow interest rate risk relates primarily to the Company's interest-bearing bank borrowings with floating interest rate.

As of 30 June 2024, the Company's bank borrowings with interest accrued at floating interest rate totalled RMB296,980,000 (31 December 2023: RMB269,200,000). 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

**VI. FAIR VALUE DISCLOSURE****(I) Breakdown of fair value at the end of the period of assets and liabilities measured at fair value**

Items	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	41,544			41,544
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	41,544			41,544
Equity instruments investment – equity interests of Hong Kong listed companies	41,544			41,544
2. Financing of receivables			6,993	6,993
3. Other equity instruments investment			8,197	8,197
Total assets measured at fair value on a recurring basis	41,544		15,190	56,734

**(II) The determination basis for market price of recurring and non-recurring fair value measurements categorised within level 1**

Equity instruments investment – securities of Hong Kong listed companies of the Company, are financial instruments with active market, thus their fair value is determined based on the quoted price in an active market.

**(III) Valuation techniques used and the qualitative and quantitative information of key parameters for recurring and non-recurring fair value measurements categorised within level 3**

1. The Company's financing of receivables represents the bank acceptance notes, whose fair value was measured at cost as the cost represents an appropriate estimate of fair value.
2. For equity instruments investment – equity interests of unlisted companies held by the Company, the Company determined their fair value based on the opening book value since the investees had no new round of financing, was operating normally and within the original investment expectations.

## Notes to the Interim Condensed Consolidated Financial Information

**VII. 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. (hereinafter referred to as Tieke Yichen)	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
Hebei Chenteng Power Sales Co., Ltd.* (河北辰騰售電有限公司) (hereinafter referred to as Chenteng Power Sales)	Enterprise controlled by actual controllers and their close family members
Shijiazhuang City Gaocheng District Longji Corporate Management Co., Ltd. (hereinafter referred to as Longji Corporate Management)	Enterprise controlled by actual controllers and their close family members
Yin Yanping	Spouse of Zhang Lihuan
Zhou Qiuju	Spouse of Zhang Haijun

## Notes to the Interim Condensed Consolidated Financial Information

**VII. 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)
Tieke Yichen	Purchase of goods	<b>128,291</b>	68,929
Chenteng Power Sales	Procurement of electricity	<b>18,003</b>	
Total		<b>146,294</b>	68,929

- (2) Related party transactions regarding 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)
Tieke Yichen	Sales of water, electricity and gas	<b>25</b>	334
Tieke Yichen	Provision of labour services	<b>112</b>	16
Tieke Yichen	Sales of goods	<b>669</b>	2,502
Total		<b>806</b>	2,852

## Notes to the Interim Condensed Consolidated Financial Information

**VII. 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)
Longji Corporate Management	Building		642	1,927	29

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)
Longji Corporate Management	Building				15

## Notes to the Interim Condensed Consolidated Financial Information

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

The Company and its subsidiaries as the secured parties

Guarantors	Guaranteed amount RMB('000)	Commencement date of the guarantees for principal creditor's rights	Expiry date of the guarantees for principal creditor's rights	Guarantees fully fulfilled
Zhang Haijun, Zhou Qiuju (Note)	390,690	2022/9/27	2026/6/27	No
Zhang Haijun	41,980	2024/3/20	2027/3/19	No
Zhang Lifeng	5,000	2024/6/17	2026/3/23	No

(Note) 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	1,867	1,604



## Notes to the Interim Condensed Consolidated Financial Information

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

Name of items	Related parties	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)
Notes receivable	Tieke Yichen			440	44
Sub-total				440	44
Accounts receivable	Tieke Yichen	<b>16,282</b>	<b>548</b>	15,725	326
Sub-total		<b>16,282</b>	<b>548</b>	15,725	326
Prepayments	Chenteng Power Sales	<b>4,506</b>		62	
Sub-total		<b>4,506</b>		62	
Other receivables	Yin Yanping	<b>37</b>	<b>4</b>	37	1
Sub-total		<b>37</b>	<b>4</b>	37	1

2. *Amount due to related parties*

Name of items	Related parties	Closing balance RMB('000)	Closing balance of last year RMB('000)
Bills payable	Tieke Yichen		15,000
Sub-total			15,000
Accounts payable	Tieke Yichen	<b>158,300</b>	93,083
Sub-total		<b>158,300</b>	93,083
Non-current liabilities due within one year	Longji Corporate Management	<b>603</b>	
Sub-total		<b>603</b>	
Lease liabilities	Longji Corporate Management	<b>622</b>	
Sub-total		<b>622</b>	

## Notes to the Interim Condensed Consolidated Financial Information

**VIII. 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.

**IX. 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.

**X. OTHER SIGNIFICANT EVENTS****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 IV(II) 1 to these financial statements.

**XI. OTHER SUPPLEMENTAL INFORMATION****Earnings/(losses) per Share**

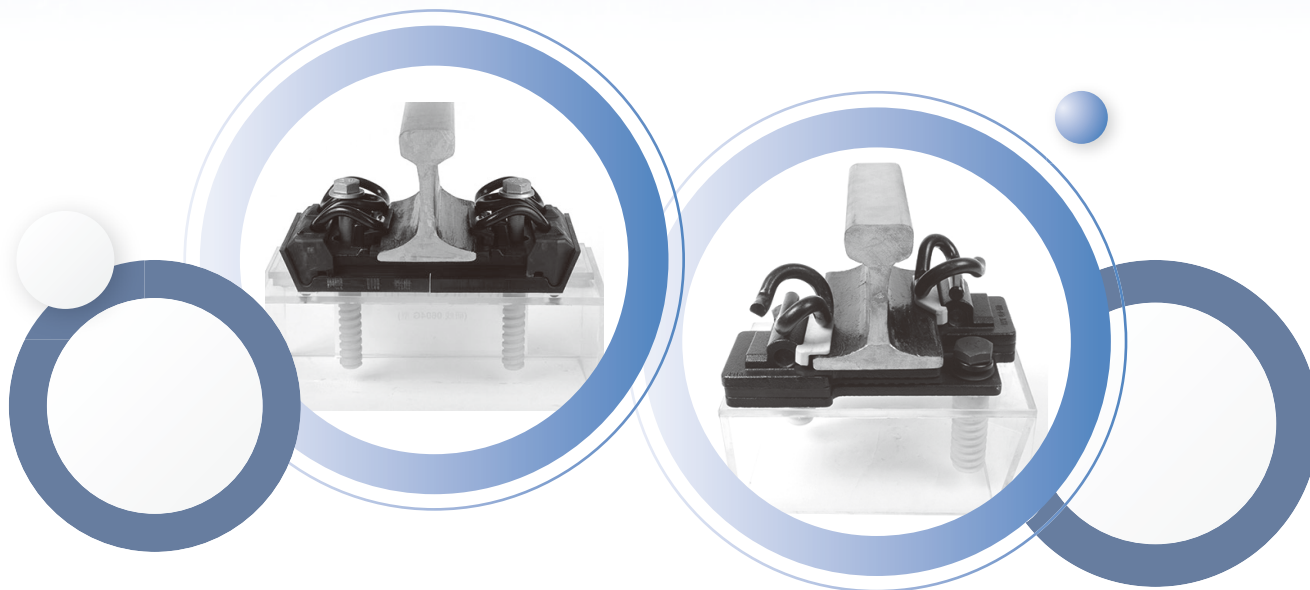
Profit for the period	Earnings/(losses) per share (RMB/share)	
	Basic earnings/ (losses) per share	Diluted earnings/ (losses) per share
Net profit/(net loss) attributable to ordinary shareholders of the Company	(0.05)	(0.05)

Profit for the same period of last year	Earnings/(losses) per share (RMB/share)	
	Basic earnings/ (losses) per share	Diluted earnings/ (losses) per share
Net profit/(net loss) attributable to ordinary shareholders of the Company	(0.04)	(0.04)

**Dividends**

The Board did not recommend the payment of any interim dividend for the six months ended 30 June 2024 (six months ended 30 June 2023: nil).

# MANAGEMENT DISCUSSION AND ANALYSIS



## INDUSTRY REVIEW

In 2024, China's economy continued to show positive momentum with stable operation as a whole and steady growth. According to the data released by the National Bureau of Statistics, the GDP for the first half of the year increased by 5.0% year-on-year at constant prices.

In the first half of 2024, the fixed asset investments in national railways amounted to RMB337.3 billion, representing a year-on-year increase of 10.6%, providing strong support for boosting domestic demand, ensuring stable growth and securing the basic living needs of the people. In the first half of 2024, new lines of 979.6 kilometers in total were added to the operation, with the length of new urban rail transit lines reaching 194.06 kilometers. 132 new stations were put into operation and six lines were newly added to the line under operation alongside four new post-opening sections or extension sections of existing lines.

## BUSINESS REVIEW

In the first half of 2024, despite the significant increase in the complexity, severity, and uncertainty of the external environment as well as the continuous deepening of structural adjustment in the country have posed new challenges, factors such as the continuous release of macro policy effects, recovery of external demand, and accelerated development of new quality productive forces have formed new support. 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 2024, total revenue of the Group amounted to approximately RMB498.7 million, representing a year-on-year decrease of approximately 8.1%.

## Management Discussion and Analysis

### Rail Fastening System Products

For the six months ended 30 June 2024, the revenue from rail fastening system products amounted to approximately RMB300.4 million, accounting for approximately 60.2% of the Group's total revenue and representing a decrease of approximately RMB4.9 million as compared with the revenue of approximately RMB305.3 million from this segment for the same period of 2023. The change in revenue was mainly attributable to the delay in delivery of rail fastening system products to customers as per their requests.

The cost of sales relating to rail fastening system products maintained relatively stable at approximately RMB205.9 million for the period under review and approximately RMB201.8 million for the same period of 2023, respectively.

During the period under review, the gross profit of rail fastening system products decreased by approximately 8.7% from approximately RMB103.5 million for the same period of 2023 to approximately RMB94.5 million. The change in gross profit of rail fastening system products was mainly attributable to the decrease in revenue from rail fastening system products. During the period under review, the gross profit margin of rail fastening system products

maintained relatively stable at 31.5%, as compared to approximately 33.9% for the same period of 2023.

As at 30 June 2024, the Group's initial contract value of agreements on supplying rail fastening systems amounted to approximately RMB776.9 million, representing an increase of approximately 0.9% from the same period of last year; the initial contract value of agreements on high-speed rail fastening systems amounted to approximately RMB601.1 million, representing a decrease of approximately 7.0% compared with the same period of last year; the initial contract value of agreements on heavy-haul rail fastening systems amounted to approximately RMB10.7 million; the initial contract value of agreements on urban transit fastening systems amounted to approximately RMB81.1 million, representing an increase of approximately 8.7% compared with the same period of last year; and the initial contract value of agreements on normal-speed rail fastening systems was approximately RMB84.0 million, representing an increase of approximately 70.0% compared with the same period of last year. As at 30 June 2024, the backlog of the Group amounted to approximately RMB2,109.8 million (value-added tax included).



## Management Discussion and Analysis

### Welding Wire Products

For the six months ended 30 June 2024, the revenue from welding wire products amounted to approximately RMB154.0 million, accounting for approximately 30.9% of the total revenue of the Group and representing a decrease of approximately 16.9% over revenue of approximately RMB185.3 million from this segment for the same period of 2023, which was mainly attributable to the decrease in the shipment volume and selling price of welding wire products as a result of intense market competition in the first half of 2024.

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 2024, the revenue from railway sleeper products was approximately RMB40.6 million, accounting for approximately 8.1% of the Group's total revenue and representing a decrease of approximately 13.4% over revenue of approximately RMB46.9 million from the segment for the same period of 2023. This was mainly attributable to the delay in delivery of railway sleeper products to customers as per their requests.

### FUTURE PROSPECTS

As observed from the first half of 2024, the national economy kept recovering and developing with overall operation remaining stable and making progress. Meanwhile, the construction of railway projects in China has been advancing steadily, with the existing lines continuing to put into operation and the new lines accelerating its construction. In addition, a number of new projects are being planned and constructed, all of which will lay a solid foundation for future economic growth and social development.

In terms of railway construction, a meeting on science and technology innovation of China State Railway Group Co., Ltd. ("**State Railway Group**") was held in Beijing on 10 July 2024, which indicated that the State Railway Group resolutely implemented all decisions and deployments made by the Central Committee of the Communist Party of China and the State Council of the PRC, and thoroughly implemented the innovation-driving development strategies, giving full play to the strengths of the new nationwide system. The State Railway Group led the formation of the Railway Science and Technology Innovation Alliance by integrating and coordinating the efforts of all parties, deepened the independent research and development as well as industrial application of key railway technologies, continuously enhanced the foundation of scientific and technological innovation, and promoted historical breakthroughs in China's railway science and technology innovation. The overall technology of the State Railway Group has entered the world's advanced level, and the technologies of high-speed, plateau, alpine and heavy haul railways have reached the world's leading level; in particular, the independent innovation of high-speed railways has taken the lead in the world, opening up a path of independent innovation of railways with Chinese characteristics. The valuable experience gained in this process should be seriously concluded and utilised to promote scientific and technological innovation in railways in a more practical and effective way.

## Management Discussion and Analysis

It was put forth at the aforesaid meeting that, in order to accelerate the realisation of self-developed quality railway science and technology, we must uphold the leadership of the Communist Party of China in all areas to ensure the correct direction of railway science and technology innovation, give full play to the advantages of the new nationwide system to create strong synergy between railway innovation and collaborative development, continue to deepen the research and development of the major key core technologies to speed up the development of new quality productive forces, unceasingly improve the system and mechanism of railway science and technology innovation to enhance the core competitiveness in railway science and technology innovation, form a world-class talent team for railway science and technology to build up competitive advantage in talent, and open to collaboration to promote the self-development in the open cooperation of science and technology.

Looking ahead, emphasis on scientific and technological innovation will be placed for the development of railway in China. High-speed railway technology, which has reached international standard, will be served as an encouragement to accelerate the realisation of self-developed quality railway science and technology, speed up the development of new quality productive forces, and commit to promoting quality development of railway and taking the lead in railway modernisation for new results achievement, so as to make greater contribution by serving and supporting the modernisation in China. As a leading rail fastening system provider 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 8.1% from approximately RMB542.6 million for the first half of 2023 to approximately RMB498.7 million for the same period of 2024, mainly as a result of the decrease in revenue from welding wire products.

Revenue related to rail fastening system products decreased by approximately 1.6% from approximately RMB305.3 million for the first half of 2023 to approximately RMB300.4 million for the same period of 2024, mainly attributable to the delay in delivery of rail fastening system products to customers as per their requests.

Revenue related to welding wire products decreased by approximately 16.9% from approximately RMB185.3 million for the first half of 2023 to approximately RMB154.0 million for the same period of 2024, mainly due to the decrease in shipments and unit selling price of welding wire products as a result of the intense market competition during the first half of 2024.

Revenue related to railway sleeper products decreased by approximately 13.4% from approximately RMB46.9 million for the first half of 2023 to approximately RMB40.6 million for the same period of 2024, mainly attributable to the delay in delivery of railway sleeper products to customers as per their requests.

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 RMB397.1 million for the first half of 2024, representing a decrease of approximately 5.3% from approximately RMB419.4 million for the same period of 2023, which was mainly attributable to the decrease in revenue from welding wire products.

Cost of sales relating to rail fastening system products remained relatively stable at approximately RMB205.9 million for the first half of 2024, as compared to approximately RMB201.8 million for the same period of 2023.

Cost of sales related to welding wire products decreased by approximately 13.2% from approximately RMB178.5 million for the first half of 2023 to approximately RMB154.9 million for the same period of 2024, mainly resulted from the decrease in shipments of welding wire products.

Cost of sales related to railway sleeper products decreased by approximately 6.9% from approximately RMB36.4 million for the first half of 2023 to approximately RMB33.9 million for the same period of 2024, mainly resulted from the decrease in shipments of railway sleeper products.

### Gross Profit

Based on the aforesaid reasons, the Group recorded a gross profit of approximately RMB101.6 million for the first half of 2024, representing a decrease of approximately 17.5% as compared to the gross profit of approximately RMB123.2 million for the same period of 2023, which was mainly due to the decrease in revenue from rail fastening system products and welding wire products.

For the six months ended 30 June 2024, the gross profit of rail fastening system products amounted to approximately RMB94.5 million, as compared to approximately RMB103.5 million for the same period of 2023; during the period under review, the gross profit margin of rail fastening system products remained relatively stable at approximately 31.5% as compared to approximately 33.9% for the same period of 2023.

Gross profit of welding wire products decreased by approximately 113.2% from approximately RMB6.8 million for the first half of 2023 to approximately RMB-0.9 million for the same period of 2024. The gross profit margin decreased from approximately 3.7% for the first half of 2023 to approximately -0.6% for the same period of 2024, mainly attributable to the increase in unit costs as the unit selling price and shipments of welding wire products decreased due to the intense market competition.

Gross profit of railway sleeper products decreased by approximately 36.2% from approximately RMB10.5 million for the first half of 2023 to approximately RMB6.7 million for the same period of 2024. Gross profit margin decreased from approximately 22.4% for the first half of 2023 to approximately 16.5% for the same period of 2024, mainly attributable to the higher unit production costs as railway sleeper production base in Southwest China was still in the ramp-up stage in terms of production capacity during the period under review.

### Selling Expenses

Selling expenses of the Group increased by approximately RMB0.6 million to approximately RMB10.3 million for the first half of 2024 from approximately RMB9.7 million for the first half of 2023, representing a slight change in the selling expenses. For the six months ended 30 June 2023 and 30 June 2024, selling expenses as a percentage of total revenue accounted for approximately 1.8% and 2.1%, respectively.

### Management Expenses

Management expenses of the Group amounted to approximately RMB44.1 million and RMB42.2 million for the first half of 2023 and the first half of 2024, respectively. Management expenses as a percentage of total revenue accounted for approximately 8.1% and 8.5%, respectively. The decrease in management expenses was mainly attributable to the decrease in labour expenses.

## Management Discussion and Analysis

### Research and Development Expenses

Research and development expenses of the Group amounted to approximately RMB17.3 million and RMB13.0 million for the first half of 2023 and the first half of 2024, respectively. Research and development expenses as a percentage of total revenue accounted for approximately 3.2% and 2.6%, respectively. The decrease in research and development expenses was mainly attributable to the decrease in investment in research and development projects for the period under review.

### Investment Gains/Losses

In the first half of 2024, the Group's investment gains totalled approximately RMB8.3 million, while the investment losses totalled approximately RMB47.9 million in the first half of 2023. The increase in investment gains was mainly attributable to the decrease in the loss on disposal of Hong Kong listed company securities by the Group during the period under review.

### Gains/Losses from Changes in Fair Value

The Group's losses from changes in fair value totalled approximately RMB58.5 million in the first half of 2024 while the losses from changes in fair value totalled approximately RMB28.1 million in the first half of 2023. The increase in losses from changes in fair value was mainly attributable to the change in price of Hong Kong listed company securities held by the Group.

### Net Finance Costs

For the first half of 2024, the Group incurred net finance costs totaling approximately RMB9.1 million, as compared to net finance costs totaling approximately RMB9.4 million incurred for the first half of 2023. The decrease in net finance costs was mainly attributable to the decrease in interest expenses.

### Operating Loss

Based on the aforesaid reasons, the Group's operating loss increased by approximately RMB2.4 million to approximately RMB51.6 million in the first half of 2024, as compared to operating loss of approximately RMB49.2 million in the same period of 2023.

### Net Loss

In the first half of 2024, the Group's net loss increased by approximately RMB8.7 million to approximately RMB42.2 million, while the net loss was approximately RMB33.5 million in the first half of 2023.

In the first half of 2024, the Group's net loss attributable to owners of the parent amounted to approximately RMB42.2 million, representing an increase of approximately RMB8.3 million as compared with net loss attributable to owners of the parent of approximately RMB33.9 million for the same period of 2023. For the first half of 2024, basic losses per share amounted to RMB0.05, representing a slight increase from the basic losses of RMB0.04 per share for the same period of 2023, which was mainly due to the decrease in net profit of the Group attributable to owners of the parent in the first half of 2024.

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

### Total Assets

As at 30 June 2024, the total assets of the Group were approximately RMB3,467.8 million, representing an increase of approximately 0.8% as compared to approximately RMB3,439.1 million as at 31 December 2023, which was mainly due to the stocking of rail fastening system.

### Total Liabilities

As at 30 June 2024, the total liabilities of the Group were approximately RMB1,039.9 million, representing an increase of approximately 8.3% as compared to approximately RMB960.3 million as at 31 December 2023, which was mainly attributable to the increase in bank borrowings.

### Total Equity

As at 30 June 2024, the total equity of the Group was approximately RMB2,427.9 million, representing a decrease of approximately 2.1% as compared to approximately RMB2,478.8 million as at 31 December 2023, which was mainly attributable to the distribution of profits and the net loss in the first half of 2024.



## Management Discussion and Analysis

### 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 2024, the Group’s gearing ratio was 15.1%, representing an increase of 0.7 percentage point as compared to 14.4% as at 31 December 2023, which was mainly attributable to the increase in borrowings.

For details of credit risk, liquidity risk, interest risk and foreign exchange risk, please refer to Note V 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

For details of the Group’s borrowings, please refer to Note V to the Interim Condensed Consolidated Financial Information. As at 30 June 2024, the following assets were pledged by the Group to secure certain borrowings granted to the Group:

Items	30 June 2024 RMB'000
Accounts receivable	5,257
Fixed assets	291,577
Intangible assets	79,381
Total	376,215

### CONTINGENT LIABILITIES

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

### EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2024, the Group incurred total staff costs of approximately RMB51.0 million for 1,277 employees (as at 30 June 2023: 1,326 employees), as compared to the total staff costs of approximately RMB54.4 million incurred for the same period of 2023. The decrease in staff costs was mainly due to the decrease in the number of employees of the Group.

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 that 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.

We continued to enrich the knowledge and skills of our staff through continuous education and training (including internal and external training). We have formulated the Training Management Policy (《培訓管理制度》) to provide appropriate training for employees in different functions. As at 30 June 2024, a total of 4,760 hours of regular training were organised, with attendance totaling 2,403 employees.

## OTHER INFORMATION

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

As at 30 June 2024, 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) were 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 is 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 2024, 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 2024, so far as is known to the Directors, the interests or short positions of the persons (other than Directors, Supervisors or chief executives 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 were 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	83,873,136		
		Deemed interest pursuant to Section 317 of the SFO	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	83,477,508		
		Deemed interest pursuant to Section 317 of the SFO	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	83,675,322		
		Deemed interest pursuant to Section 317 of the SFO	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%
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%

## 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. Yin Yanping (尹彦萍) (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%
Mr. Wang Lei (汪磊) (“ <b>Mr. Wang</b> ”) (Note 18)	H Shares	Interest of controlled corporation	31,376,000	13.98%	3.49%
Ms. Zhang Zimo (張紫墨) (“ <b>Ms. Zhang</b> ”) (Note 18)	H Shares	Interest of spouse	31,376,000	13.98%	3.49%
Mr. Li Yanhao (李艷浩) (“ <b>Mr. Li</b> ”) (Note 18)	H Shares	Interest of controlled corporation	31,376,000	13.98%	3.49%
Ms. Feng Dasha (封達莎) (“ <b>Ms. Feng</b> ”) (Note 18)	H Shares	Interest of spouse	31,376,000	13.98%	3.49%
Vistra Trust (Singapore) Pte. Limited (Note 18)	H Shares	Trustee	31,376,000	13.98%	3.49%
Cyber Warrior Holdings Limited (Note 18)	H Shares	Interest of controlled corporation	31,376,000	13.98%	3.49%
Brainstorming Cafe Limited (Note 18)	H Shares	Interest of controlled corporation	31,376,000	13.98%	3.49%
Flowing Cloud Technology Ltd (Note 18)	H Shares	Beneficial owner	31,376,000	13.98%	3.49%
Beijing Infrastructure Investment Co., Ltd.* (北京市基礎設施投資有限公司) (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 (石家莊國控投資集團有限責任公司) (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, 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 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.

## OTHER INFORMATION

- (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.
- (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 substantial Shareholders pursuant to Part XV of the SFO,
- the 31,376,000 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, a 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 in 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.



## OTHER INFORMATION

- (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 2024, no person (other than Directors, Supervisors and chief executives 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 were 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.

### 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 2023 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 the Scheme.

The Board shall, after having regard to the requirements in relation to the grant of Awards as stated in the rules of the Scheme, the Listing Rules, the applicable laws and regulations and all relevant circumstances and affairs of the Group (including but not limited to the Group’s business and operational conditions, its business plans and cashflow requirements currently and in the near future), cause to be paid to the trustee appointed (or its nominee) such amount as may be required for the purchase of existing H Shares from the market and the related purchase expenses (including all such necessary fees, stamp duty, levies and expenses required for the completion of the purchase of all the awarded Shares, as applicable). For the avoidance of doubt, the Board shall not issue and shall not instruct the trustee (or its nominee) to subscribe for any new H Shares for the purpose of satisfying any Award or otherwise in relation to the Scheme. Accordingly, no new H Share is available for issue under the Scheme.

## OTHER INFORMATION

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 has been granted, become vested, been cancelled or lapsed under the Scheme. As at the date of this report, the number of H Shares available to be awarded under the Scheme mandate is 22,446,000 H Shares, and there is no specific limit on the maximum number of Shares that may be awarded to a single Eligible Participant under the Scheme (i.e. the maximum entitlement of each Eligible Participant under the Scheme is 22,446,000 H Shares).

### CHANGES IN INFORMATION OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES

There is no information in respect of the Directors, Supervisors or chief executives 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 2024.

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

On 1 November 2023, Hebei Chenteng Power Sales Co., Ltd.\* (河北辰騰售電有限公司) ("**Hebei Chenteng**") as supplier and the Company as consumer entered into a high voltage electricity supply contract (the "**Electricity Purchase Agreement**"), pursuant to which Hebei Chenteng shall supply electricity to the Company for a term of three years from 1 November 2023 to 31 October 2026.

On 29 August 2024, as it is expected that the aggregate amount of the consideration payable by the Company to Hebei Chenteng in connection with the purchase of electricity under the Electricity Purchase Agreement will exceed the annual caps as previously set by the Board and disclosed in the announcement of the Company dated 1 November 2023 (the "**Existing Annual Caps**"), the Board has resolved to revise the Existing Annual Caps for the remaining term of the Electricity Purchase Agreement and adopt the revised annual caps for the remaining term for the continuing connected transactions contemplated under the Electricity Purchase Agreement set by the Board, being the maximum aggregate amount of consideration payable by the Company to Hebei Chenteng in connection with the purchase of electricity under the Electricity Purchase Agreement of RMB56 million for the year ending 31 December 2024, RMB56 million for the year ending 31 December 2025, and RMB47 million for the year ending 31 December 2026 (applicable to the period from 1 January 2026 to 31 October 2026).

For details, please refer to the announcements of the Company dated 1 November 2023 and 29 August 2024.

Save as disclosed above, there is no other significant events occurred subsequent to the six months ended 30 June 2024 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 2024 (including sale of treasury shares). As at 30 June 2024, the Company did not hold any treasury shares.

### **AUDIT COMMITTEE**

This interim condensed consolidated financial information had not been audited by the auditor of the Company but had been reviewed by the external auditors of the Company.

The Audit Committee of the Company had reviewed the Group's unaudited interim condensed consolidated results and this interim report for the six months ended 30 June 2024 prepared in accordance with the PRC Financial Reporting Standards and agreed to the accounting principles, accounting treatments and practices adopted by the Company.

### **COMPLIANCE WITH CORPORATE GOVERNANCE CODE**

As a company listed on the Stock Exchange, the Company has always strived 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 to the Listing Rules throughout the six months ended 30 June 2024.

### **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 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 confirmed that throughout the six months ended 30 June 2024, 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 2024, 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

29 August 2024

\* For identification purpose only