



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

2022

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. Gu Xiaohui⁽³⁾
Ms. Zheng Zhixing⁽⁴⁾

Independent non-executive Directors

Mr. Jip Ki Chi
Mr. Wang Qi⁽¹⁾
Mr. Zhang Liguó
Mr. Wang Fujū⁽²⁾

SUPERVISORS

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

AUDIT COMMITTEE

Mr. Jip Ki Chi (*Chairman*)
Mr. Wang Qi⁽¹⁾
Mr. Zhang Liguó
Mr. Wang Fujū⁽²⁾

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

Mr. Wang Fujū (*Chairman*)⁽²⁾
Mr. Wu Jinyu
Mr. Zhang Liguó
Mr. Wang Qi⁽¹⁾

CORPORATE GOVERNANCE COMMITTEE

Mr. Jip Ki Chi (*Chairman*)
Mr. Wang Qi⁽¹⁾
Mr. Wang Fujū⁽²⁾
Mr. Zhang Chao

STRATEGY COMMITTEE

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

JOINT COMPANY SECRETARIES

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

AUTHORIZED REPRESENTATIVES

Mr. Zhang Haijun
Ms. Ng Wai Kam

ALTERNATES TO THE AUTHORIZED REPRESENTATIVES

Mr. Wu Jinyu
Mr. Zhang Chao

⁽¹⁾ Resigned with effect from 13 April 2022

⁽²⁾ Appointed with effect from 31 May 2022

⁽³⁾ Resigned with effect from 13 September 2022

⁽⁴⁾ Appointed with effect from 13 September 2022



Corporate Information

**AUDITOR**

Pan-China Certified Public Accountants LLP
31th Floor, Tower B, China Resources Building
1366 Qianjiang Road, Shangcheng District
Hangzhou, Zhejiang Province
PRC

HONG KONG LEGAL ADVISER

Chiu & Partners
40th Floor, Jardine House
1 Connaught Place, Central
Hong Kong

PRC LEGAL ADVISER

Jingtian & Gongcheng
34/F, Tower 3
China Central Place
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Chaoyang District, Beijing
China

REGISTERED OFFICE AND HEADQUARTERS

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Gaocheng District
Shijiazhuang City
Hebei Province
China

ADDITIONAL REGISTERED ADDRESS

No. 268 Lianzhou East Road
Gaocheng District
Shijiazhuang City
Hebei Province
China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

H SHARE REGISTRAR

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

STOCK CODE

1596

COMPANY WEBSITE

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

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

REVIEW REPORT

Tian Jian Shen [2022] No. 3-484

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 2022, the consolidated income statement, the consolidated statement of cash flows and the consolidated statement of changes in owners’ equity for January to June 2022, 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 performance and cash flows of Yichen Industrial Corporation in all material respects.

Pan-China Certified Public Accountants LLP

Hangzhou, the PRC

*Chinese Certified Public Accountant: **Jin Shunxing***

*Chinese Certified Public Accountant: **Ouyang Caihua***

13 September 2022

CONSOLIDATED BALANCE SHEET (UNAUDITED)

As at 30 June 2022

	Notes	30 June 2022 RMB('000) (Unaudited)	31 December 2021 RMB('000) (Audited)
Current assets:			
Monetary capital		184,714	157,303
Financial assets held for trading		118,347	106,879
Notes receivable	1	66,459	68,754
Accounts receivable	2	1,147,844	1,026,503
Financing of receivables		14,126	6,361
Prepayments		40,303	31,293
Other receivables		9,779	8,104
Inventories		423,805	449,963
Contract assets		43,630	59,359
Other current assets		5,481	11,067
Total current assets		2,054,488	1,925,586
Non-current assets:			
Long-term equity investments	3	221,386	206,272
Other equity instruments investment		8,321	8,321
Fixed assets	4	511,281	480,676
Construction in progress	5	296,291	251,980
Right-of-use assets		899	1,199
Intangible assets	6	143,001	144,552
Goodwill		102,739	102,739
Deferred income tax assets		28,111	24,540
Other non-current assets		85,155	76,116
Total non-current assets		1,397,184	1,296,395
Total assets		3,451,672	3,221,981

Consolidated Balance Sheet (Unaudited)

As at 30 June 2022

	Notes	30 June 2022 RMB('000) (Unaudited)	31 December 2021 RMB('000) (Audited)
Current liabilities:			
Short-term borrowings	7	145,200	58,714
Notes payable		96,459	86,938
Accounts payable	8	364,942	378,801
Contract liabilities		8,365	7,665
Payroll payable		7,092	8,810
Tax payable		18,213	18,343
Other payables		71,616	48,925
Non-current liabilities due within one year	9	91,124	25,271
Other current liabilities		2,494	2,167
Total current liabilities		805,505	635,634
Non-current liabilities:			
Long-term borrowings	10	255,500	219,500
Lease liabilities		–	627
Deferred income		4,828	4,944
Deferred income tax liabilities		326	394
Total non-current liabilities		260,654	225,465
Total liabilities		1,066,159	861,099
Owners' equity (or shareholders' equity):			
Paid-in capital (or share capital)		448,920	448,920
Capital reserve		813,227	813,227
Surplus reserve		137,535	137,535
Undistributed profits		973,844	950,041
Total equity attributable to owners of the parent		2,373,526	2,349,723
Minority interests		11,987	11,159
Total owner's equity		2,385,513	2,360,882
Total liabilities and owner's equity		3,451,672	3,221,981

CONSOLIDATED INCOME STATEMENT (UNAUDITED)

For the six months ended 30 June 2022

	Notes	For the six months ended 30 June	
		2022 RMB('000) (Unaudited)	2021 RMB('000) (Audited)
I. Total operating revenue	1	645,970	594,421
II. Total operating cost		571,620	475,547
Including: Operating cost	1	492,144	391,783
Taxes and surcharges		5,928	5,397
Selling expenses		8,689	12,319
Management expenses		36,285	35,469
Research and development expense		20,023	23,316
Finance costs	2	8,551	7,263
Including: Interest costs		9,065	7,949
Interest income		815	1,017
Add: Other income		1,144	116
Investment gains (“-” for losses)		17,093	11,439
Including: Gains on investments in associates and joint ventures		15,114	11,518
Gain from changes in fair value (“-” for losses)		5,842	-21,634
Loss on credit impairment (“-” for losses)	3	-11,960	-5,445
Impairment loss of assets (“-” for losses)	4	-3,638	-851
Gains on disposal of assets (“-” for losses)		-	-
III. Operating profits (“-” for losses)		82,831	102,499
Add: Non-operating incomes		27	87
Less: Non-operating expenses		246	219
IV. Total profit (“-” for total losses)		82,612	102,367
Less: Income tax expenses	5	8,330	12,730
V. Net profit (“-” for net losses)		74,282	89,637
(I) Classified according to continuity:			
1. Net profit from continuing operations (“-” for net losses)		74,282	89,637
2. Net profit from discontinued operations (“-” for net losses)		-	-
(II) Classified according to equity holdings:			
1. Net profit attributable to owners of the parent (“-” for net losses)		73,454	88,911
2. Profit and loss of minority interests (“-” for net losses)		828	726

Consolidated Income Statement (Unaudited)

For the six months ended 30 June 2022

	For the six months ended 30 June	
	2022 RMB('000) (Unaudited)	2021 RMB('000) (Audited)
VI. Other comprehensive income after tax, net		
Other comprehensive income after tax attributable to owners of the parent, net	–	–
(I) Other comprehensive income that cannot be reclassified to profit or loss	–	–
(II) Other comprehensive income that will be reclassified to profit or loss	–	–
VII. Total comprehensive income	74,282	89,637
Total comprehensive income attributable to owners of the parent	73,454	88,911
Total comprehensive income attributable to minority interests	828	726
VIII. Earnings per share:		
(I) Basic earnings per share (RMB)	0.08	0.10
(II) Diluted earnings per share (RMB)	0.08	0.10

CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

For the six months ended 30 June 2022

	For the six months ended 30 June	
	2022 RMB('000) (Unaudited)	2021 RMB('000) (Audited)
I. Cash flows from operating activities:		
Cash received from sales of goods or rendering of labour service	439,799	421,982
Refund of taxes	3,913	–
Other cash received from operating-related activities	27,132	21,440
Sub-total of cash inflow from operating activities	470,844	443,422
Cash paid for goods purchased and labour service received	383,922	235,590
Cash paid to and for employees	56,860	48,561
Payments of taxes and surcharges	40,711	41,693
Other cash paid for operating-related activities	49,686	31,178
Sub-total of cash outflow from operating activities	531,179	357,022
Net cash flows from operating activities	(60,335)	86,400
II. Cash flows from investing activities:		
Cash from disinvestments	–	7,510
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	–	25
Sub-total of cash inflows from investing activities	–	7,535
Cash paid for the purchase and construction of fixed assets, intangible assets and other long-term assets	82,101	32,889
Cash paid for investment	5,476	8,321
Sub-total of cash outflows from investing activities	87,577	41,210
Net cash flows from investing activities	(87,577)	(33,675)

Consolidated Statement of Cash Flows (Unaudited)

For the six months ended 30 June 2022

	For the six months ended 30 June	
	2022 RMB('000) (Unaudited)	2021 RMB('000) (Audited)
III. Cash flows from financing activities:		
Cash received from borrowings	270,000	192,726
Other cash received from financing-related activities	10,442	–
Sub-total of cash inflows from financing activities	280,442	192,726
Cash paid for repayment of debts	69,714	111,726
Cash paid for distribution of dividends and profits or repayment of interest	17,287	8,074
Other cash paid for financing-related activities	12,861	52,131
Sub-total of cash outflows for financing activities	99,862	171,931
Net cash flows from financing activities	180,580	20,795
IV. Effect of changes in foreign exchange rates on cash and cash equivalents	(112)	(91)
V. Net increase in cash and cash equivalents	32,556	73,429
Add: Opening balance of cash and cash equivalents	65,941	135,785
VI. Closing balance of cash and cash equivalents	98,497	209,214

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY (UNAUDITED)

For the six months ended 30 June 2022

Items	For the six months ended 30 June 2022 (Unaudited)						
	Equity attributed to owners of parent company						
	Share Capital RMB('000)	Capital reserve RMB('000)	Other comprehensive income RMB('000)	Surplus reserve RMB('000)	Undistributed profits RMB('000)	Equity of minority shareholders RMB('000)	Total owners' equity RMB('000)
Closing balance of prior year	448,920	813,227		137,535	950,041	11,159	2,360,882
Add: Changes in accounting policies							
Opening balance of current year	448,920	813,227		137,535	950,041	11,159	2,360,882
Increase or decrease for the period					23,803	828	24,631
(I) Total comprehensive income					73,454	828	74,282
(II) Capital invested and decreased by owners							
(III) Profit distribution					(49,651)		(49,651)
Withdrawal of surplus reserve							
Distribution to owners (or shareholders)					(49,651)		(49,651)
(IV) Closing balance of current period	448,920	813,227		137,535	973,844	11,987	2,385,513

Items	For the six months ended 30 June 2021 (Audited)						
	Equity attributed to owners of parent company						
	Share Capital RMB('000)	Capital reserve RMB('000)	Other comprehensive income RMB('000)	Surplus reserve RMB('000)	Undistributed profits RMB('000)	Equity of minority shareholders RMB('000)	Total owners' equity RMB('000)
Closing balance of prior year	448,920	813,227		115,160	726,328	8,771	2,112,406
Add: Changes in accounting policies							
Opening balance of current year	448,920	813,227		115,160	726,328	8,771	2,112,406
Increase or decrease for the period					88,911	726	89,637
(I) Total comprehensive income					88,911	726	89,637
(II) Capital invested and decreased by owners							
(III) Profit distribution							
Withdrawal of surplus reserve							
Distribution to owners (or shareholders)							
(IV) Closing balance of current period	448,920	813,227		115,160	815,239	9,497	2,202,043

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. GENERAL INFORMATION OF THE COMPANY

Hebei Yichen Industrial Group Corporation Limited (hereinafter referred to as the “**Company**” and collectively with its subsidiaries, the “**Group**”) was formerly known as Hebei Yichen Industrial Group Co., Ltd. (河北翼辰實業集團有限公司). On 9 April 2001, Yichen Industrial Ltd. was registered in the Shijiazhuang City Market Supervision and Administration Bureau (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 shares with a nominal value of RMB0.5 each, among which, domestic shares were 673,380,000 shares and H shares were 224,460,000 shares. The H shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 21 December 2016.

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

These financial statements in this interim report were approved for publication at the 9th meeting of the third session of the board of directors of the Company (the “**Board**”) on 13 September 2022.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

(I) Basis of Preparation

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

(II) Evaluation on Ability of Continuing Operation

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

3. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES**(I) Accounting Policies**

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

This interim report has not included all notes in the annual report. Accordingly, this interim report should be read in conjunction with the 2021 annual report. The accounting policies adopted by the Company in preparation of this interim report are consistent with those accounting policies adopted for the 2021 annual financial statements.

(II) Statement of Compliance with the Accounting Standards for Business Enterprises

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

(III) Changes in Significant Accounting Policies

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

1. The Company has adopted the requirements of the Interpretation No. 15 of the Accounting Standards for Business Enterprises issued by the Ministry of Finance of PRC “the accounting treatment of the external sales of products or by-products produced by enterprises before their fixed assets are in their intended useable condition or during research and development process” since 1 January 2022. Such changes in the accounting policies have no impact on the Company’s financial statements.
2. The Company has adopted the requirements of the Interpretation No. 15 of the Accounting Standards for Business Enterprises issued by the Ministry of Finance of PRC “the determination of onerous contracts” since 1 January 2022. Such changes in the accounting policies have no impact on the Company’s financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Notes: The closing balance of last year in the notes to these financial statements represents the figures of financial statements as at 31 December 2021, the closing balance represents the figures of financial statements as at 30 June 2022, the amount for the period refers to the figures of financial statements for January to June 2022, and the amount for the same period of last year refers to the figures of financial statements for January to June 2021.

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

Category	Closing balance				
	Book balance		Provision for bad debts		Book value
	Amount	Proportion	Amount	Percentage	
RMB('000)	(%)	RMB('000)	of provision (%)	RMB('000)	
Provision for bad debts made individually					
Including: Bank acceptance notes					
Trade acceptance notes					
Provision for bad debts made as per portfolio	71,808	100.00	5,349	7.45	66,459
Including: Bank acceptance notes	58,057	80.85			58,057
Trade acceptance notes	13,751	19.15	5,349	38.90	8,402
Total	71,808	100.00	5,349	7.45	66,459

Category	Closing balance of last year				
	Book balance		Provision for bad debts		Book value
	Amount	Proportion	Amount	Percentage	
RMB('000)	(%)	RMB('000)	of provision (%)	RMB('000)	
Provision for bad debts made individually					
Including: Bank acceptance notes					
Trade acceptance notes					
Provision for bad debts made as per portfolio	74,889	100.00	6,135	8.19	68,754
Including: Bank acceptance notes	54,219	72.40			54,219
Trade acceptance notes	20,670	27.60	6,135	29.68	14,535
Total	74,889	100.00	6,135	8.19	68,754

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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

2. Accounts receivable

(1) Breakdown

Breakdown by category

Category	Book balance		Closing balance		Book value RMB('000)
	Amount RMB('000)	Proportion (%)	Provision for bad debts Amount RMB('000)	Percentage of provision (%)	
Provision for bad debts made individually	12,496	0.96	12,496	100.00	
Provision for bad debts made as per portfolio	1,288,884	99.04	141,040	10.94	1,147,844
Total	1,301,380	100.00	153,536	11.80	1,147,844

Category	Book balance		Closing balance of last year		Book value RMB('000)
	Amount RMB('000)	Proportion (%)	Provision for bad debts Amount RMB('000)	Percentage of provision (%)	
Provision for bad debts made individually	13,133	1.13	13,133	100.00	
Provision for bad debts made as per portfolio	1,152,527	98.87	126,024	10.93	1,026,503
Total	1,165,660	100.00	139,157	11.94	1,026,503

(2) Ageing

Item	Book balance	
	Closing balance RMB('000)	Closing balance of last year RMB('000)
Within 1 year	924,067	830,100
1 to 2 years	193,832	156,260
2 to 3 years	74,497	83,688
3 to 4 years	34,254	34,112
4 to 5 years	27,706	19,792
Over 5 years	47,024	41,708
Sub-total	1,301,380	1,165,660

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(I) Notes to the Consolidated Balance Sheet (Continued)

3. Long-term equity investments

(1) Breakdown by category

Item	Closing balance			Closing balance of last year		
	Book balance RMB('000)	Provision for impairment RMB('000)	Book value RMB('000)	Book balance RMB('000)	Provision for impairment RMB('000)	Book value RMB('000)
Investments in associates	221,386		221,386	206,272		206,272
Total	221,386		221,386	206,272		206,272

(2) Breakdown

Investee	Beginning balance RMB('000)	Increase or decrease during the period				Adjustment to other comprehensive income RMB('000)
		Additional Investments RMB('000)	Decrease in investments RMB('000)	Investment profit or loss recognised using equity method RMB('000)		
Associate						
Hebei Tieke Yichen New Material Technology Co., Ltd.	206,272			15,114		
Total	206,272			15,114		

Investee	Other changes in equity RMB('000)	Increase or decrease during the period			Closing balance RMB('000)	Closing balance of provision for impairment RMB('000)
		Cash dividends or profit distribution declared RMB('000)	Provision for impairment RMB('000)	Others RMB('000)		
Associate						
Hebei Tieke Yichen New Material Technology Co., Ltd.					221,386	
Total					221,386	

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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

4. Fixed assets

Item	Buildings and structures RMB('000)	Machinery and equipment RMB('000)	Transportation vehicles RMB('000)	Electronic and communication equipment RMB('000)	Other equipment RMB('000)	Total RMB('000)
Original book value						
Opening balance	421,338	237,855	17,737	8,639	2,871	688,440
Increase during the period	8,352	38,806	290	304	5	47,757
1) Purchase	75	845	12	132	5	1,069
2) Transferred from construction in progress	8,277	37,961	278	172		46,688
Decrease during the period		415		29		444
1) Disposal or retirement		415		29		444
Closing balance	429,690	276,246	18,027	8,914	2,876	735,753
Accumulated depreciation						
Opening balance	42,844	139,937	15,230	7,488	2,265	207,764
Increase during the period	9,451	6,581	792	226	81	17,131
1) Provision	9,451	6,581	792	226	81	17,131
Decrease during the period		395		28		423
1) Disposal or retirement		395		28		423
Closing balance	52,295	146,123	16,022	7,686	2,346	224,472
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	377,395	130,123	2,005	1,228	530	511,281
Opening book value	378,494	97,918	2,507	1,151	606	480,676

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**(I) Notes to the Consolidated Balance Sheet** (Continued)5. *Project under construction*

Item	Closing balance			Closing balance of last year		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
	RMB('000)	RMB('000)	RMB('000)	RMB('000)	RMB('000)	RMB('000)
R&D and manufacturing project of high-speed railway heavy-haul fastening accessory system	211,130		211,130	193,957		193,957
Andafa AX lean manufacturing management system	1,027		1,027	1,027		1,027
Wire production line	13,915		13,915	5,416		5,416
Automatic welding wire layer winding machine	-		-	5,159		5,159
Flux cored wire south workshop upgrade	7,353		7,353	18,157		18,157
Solid wire resource utilization and treatment project	3,800		3,800	3,558		3,558
Railway locomotive project	51,099		51,099	14,437		14,437
Sporadic projects	7,967		7,967	10,269		10,269
Total	296,291		296,291	251,980		251,980

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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

6. Intangible assets

Item	Land use rights RMB('000)	Software RMB('000)	Total RMB('000)
Original book value			
Opening balance	157,288	2,180	159,468
Increase during the period		175	175
1) Purchase		175	175
Decrease during the current period			
1) Disposal			
Closing balance	157,288	2,355	159,643
Accumulated amortisation			
Opening balance	13,739	1,177	14,916
Increase during the period	1,577	149	1,726
1) Provision	1,577	149	1,726
Decrease during the period			
1) Disposal			
Closing balance	15,316	1,326	16,642
Provision for impairment			
Opening balance			
Increase during the period			
1) Provision			
Decrease during the period			
1) Disposal			
Closing balance			
Book value			
Closing book value	141,972	1,029	143,001
Opening book value	143,549	1,003	144,552

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)***(I) Notes to the Consolidated Balance Sheet** *(Continued)*7. *Short-term borrowings*

Item	Closing balance RMB('000)	Closing balance of last year RMB('000)
Secured guaranteed borrowings	95,000	5,000
Pledged borrowings	20,200	–
Guaranteed borrowings	–	18,714
Credit borrowings	30,000	35,000
Total	145,200	58,714

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

Item	Closing balance RMB('000)	Closing balance of last year RMB('000)
Payables for materials	292,463	300,696
Payables for technology transfer	45,490	38,159
Payables for transportation	15,505	18,893
Payables for electricity and others	11,484	21,053
Total	364,942	378,801

(2) *Ageing analysis*

Ageing	Closing balance RMB('000)	Closing balance of last year RMB('000)
Within 1 year	300,287	318,044
Over 1 year	64,655	60,757
Sub-total	364,942	378,801

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**(I) Notes to the Consolidated Balance Sheet** (Continued)9. *Non-current liabilities due within one year*

Item	Closing balance RMB('000)	Closing balance of last year RMB('000)
Long-term borrowings due within one year	78,000	–
Long-term payables due within one year	12,511	24,672
Lease liabilities due within one year	613	599
Total	91,124	25,271

10. *Long-term borrowings*

Item	Closing balance RMB('000)	Closing balance of last year RMB('000)
Collateralised borrowings	146,000	70,000
Credit borrowings	109,500	149,500
Total	255,500	219,500

(II) Notes to the Consolidated Income Statement1. *Operating revenue/Operating cost*(1) *Breakdown*

Item	Amount for the period		Amount for the same period of last year	
	Revenue RMB('000)	Cost RMB('000)	Revenue RMB('000)	Cost RMB('000)
Revenue from principal business	638,051	485,477	579,764	379,544
Other operating revenue	7,919	6,667	14,657	12,239
Total	645,970	492,144	594,421	391,783

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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

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

Item	Amount for the period		Amount for the same period of last year	
	Revenue RMB('000)	Cost RMB('000)	Revenue RMB('000)	Cost RMB('000)
Rail fastening system	450,515	318,586	449,810	272,020
Welding wire	152,930	143,806	101,035	89,807
Railway sleepers	34,606	23,085	28,919	17,717
Others	7,919	6,667	14,657	12,239
Sub-total	645,970	492,144	594,421	391,783

2. *Finance costs*

Item	Amount for the period RMB('000)	Amount for the same period of last year RMB('000)
Interest expense	9,065	7,949
Less: Interest income	815	1,017
Combined profit or loss	112	91
Handling charges and other expenses	189	240
Total	8,551	7,263

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**(II) Notes to the Consolidated Income Statement** (Continued)3. *Loss on credit impairment*

Item	Amount for the period RMB('000)	Amount for the same period of last year RMB('000)
Loss on bad debts	(11,960)	(5,445)
Total	(11,960)	(5,445)

4. *Impairment loss of assets*

Item	Amount for the period RMB('000)	Amount for the same period of last year RMB('000)
Impairment loss of contract assets	(3,466)	(760)
Impairment loss of inventories	(172)	(91)
Total	(3,638)	(851)

5. *Income tax expenses*

Item	Amount for the period RMB('000)	Amount for the same period of last year RMB('000)
Current income tax expenses	11,969	16,502
Deferred income tax expenses	(3,639)	(3,772)
Total	8,330	12,730

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

5. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS

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

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

(I) Credit Risk

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

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

1. Bank deposits

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

2. Receivables

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

As the Company trades only with recognised and creditworthy third parties, no collateral is required. Concentration of credit risk is managed by customers. As of 30 June 2022, the Company had certain concentration of credit risk as 39.99% (31 December 2021: 35.20%) of the Company's accounts receivable were due from the five largest customers in terms of balances.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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

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

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

Classification of financial liabilities based on the remaining maturity

Item	Book value RMB('000)	Closing balance			
		Undiscounted contractual amount RMB('000)	Within 1 year RMB('000)	1 to 3 years RMB('000)	Over 3 years RMB('000)
Bank borrowings	478,700	503,014	243,275	259,739	
Bills payable	96,459	96,459	96,459		
Accounts payable	364,942	364,942	364,942		
Other payables	71,616	71,616	71,616		
Long-term payables and long-term payables due within one year	12,511	12,720	12,720		
Lease liabilities and lease liabilities due within one year	613	642	642		
Sub-total	1,024,841	1,049,393	789,654	259,739	

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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

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

Item	Book value RMB('000)	Closing balance of last year			
		Undiscounted contractual amount RMB('000)	Within 1 year RMB('000)	1 to 3 years RMB('000)	Over 3 years RMB('000)
Bank borrowings	278,214	297,735	69,841	227,894	
Bills payable	86,938	86,938	86,938		
Accounts payable	378,801	378,801	378,801		
Other payables	48,925	48,925	48,925		
Long-term payables and long-term payables due within one year	24,672	25,440	25,440		
Lease liabilities and lease liabilities due within one year	1,226	1,284	642	642	
Sub-total	818,776	839,123	610,587	228,536	

(III) Market Risk1. *Interest risk*

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

As of 30 June 2022, the Company's bank borrowings with interest accrued at floating interest rate totaled RMB185,000,000 (31 December 2021: RMB120,000,000). Assuming that interest rates had been 50 basis points higher/lower and all other variables were held constant, there will be no significant impact on the Company's total profit and shareholders' interests.

2. *Foreign currency risk*

Foreign currency 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 dominated in RMB. Therefore, the Company's exposure to foreign exchange market risk is not significant.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

6. FAIR VALUE DISCLOSURE

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

Item	Fair value at the end of the period			Total RMB('000)
	Fair value measured at level 1 RMB('000)	Fair value measured at level 2 RMB('000)	Fair value measured at level 3 RMB('000)	
Recurring fair value measurement				
1. Financial assets held for trading and other non-current financial assets	118,347			118,347
(1) Financial assets at fair value through profit or loss for the period	118,347			118,347
Equity instruments investment – equity interests of Hong Kong listed companies	118,347			118,347
2. Financing of receivables			14,126	14,126
3. Other equity instruments investment			8,321	8,321
Total assets measured at fair value on a recurring basis	118,347		22,447	140,794

Item	Fair value at the end of last year			Total RMB('000)
	Fair value measured at level 1 RMB('000)	Fair value measured at level 2 RMB('000)	Fair value measured at level 3 RMB('000)	
Recurring fair value measurement				
1. Financial assets held for trading and other non-current financial assets	106,879			106,879
(1) Financial assets at fair value through profit or loss for the period	106,879			106,879
Equity instruments investment – equity interests of Hong Kong listed companies	106,879			106,879
2. Financing of receivables			6,361	6,361
3. Other equity instruments investment			8,321	8,321
Total assets measured at fair value on a recurring basis	106,879		14,682	121,561

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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

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

2. *Information on the associates of the Company*

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

3. *Information on other related parties of the Company*

Name of other related parties	Relationship between other related parties and the Company
Shijiazhuang City Gaocheng District Longji Corporate Management Co., Ltd.	Enterprise controlled by actual controllers and their close family members
Zhou Qiujun	Spouse of Zhang Haijun
Yang Yunjuan	Spouse of Zhang Lifeng
Ma Xuehui	Director of the Company
An Baoyun	Deputy General Manager of the Company

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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

1. *Related party transactions regarding purchase and sale of goods, provision and acceptance of labour services*

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

Related parties	Information on related party transactions	Amount for the period RMB('000)	Amount for the same period of last year RMB('000)
Hebei Tieke Yichen New Material Technology Co., Ltd.	Purchase of goods	50,293	53,821
Total		50,293	53,821

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

Related parties	Information on related party transactions	Amount for the period RMB('000)	Amount for the same period of last year RMB('000)
Hebei Tieke Yichen New Material Technology Co., Ltd.	Sales of water, electricity and gas	4,316	3,355
Hebei Tieke Yichen New Material Technology Co., Ltd.	Provision of labour services	17	37
Hebei Tieke Yichen New Material Technology Co., Ltd.	Sales of goods	2,122	1,158
Total		6,455	4,550

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

7. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)**(II) Related-party transactions** (Continued)2. *Related party leases*

The Company as a lessee

Name of lessor	Type of leased assets	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)	Amounts for the period Recognised right-of-use assets lease		
			Rental paid (excluding variable lease payments not included in the measurement of lease liabilities) RMB('000)	Increased principal amount of lease liabilities RMB('000)	Recognised interest expenses RMB('000)
Shijiazhuang City Gaocheng District Longji Corporate Management Co., Ltd.	Building		642		29

Name of lessor	Type of leased assets	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)	Amounts for the same period of last year Recognised right-of-use assets lease		
			Rental paid (excluding variable lease payments not included in the measurement of lease liabilities) RMB('000)	Increased principal amount of lease liabilities RMB('000)	Recognised interest expenses RMB('000)
Shijiazhuang City Gaocheng District Longji Corporate Management Co., Ltd.	Building		642		42

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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

The Company and its subsidiaries as the secured parties

Guarantor	Guaranteed amount RMB('000)	Commencement date of the guarantee for principal creditor's rights	Expiry date of the guarantee for principal creditor's rights	Type of the guarantee	Guarantee fully fulfilled
Zhang Haijun, Zhang Junxia, Zhang Xiaosuo, Zhang Xiaogeng, Zhang Libin, Zhang Lifeng	70,000	24 December 2019	24 December 2022	Secured by guarantee	No
Zhang Haijun, Zhou Qiuju	30,000	4 January 2022	27 December 2022	Secured by guarantee	No
Zhang Haijun, Zhou Qiuju	10,000	10 January 2022	27 December 2022	Secured by guarantee	No
Zhang Haijun, Zhou Qiuju	20,000	21 January 2022	27 December 2022	Secured by guarantee	No
Zhang Haijun, Zhou Qiuju	30,000	31 March 2022	27 December 2022	Secured by guarantee	No
Zhang Lifeng, Yang Yunjuan	5,000	15 June 2022	14 June 2023	Secured by guarantee	No
Zhang Haijun, Wu Jinyu, Zhang Lifeng (Note)	28,600	29 July 2021	3 August 2022	Secured by guarantee	No

Note Zhang Haijun, Wu Jinyu and Zhang Lifeng provided joint and several guarantees for the Company's bills payable of RMB28.6 million and Hanhua Financing Guarantee Co., Ltd. Hebei Branch (瀚華融資擔保股份有限公司河北分公司) provided joint guarantees (Zhang Haijun, Zhou Qiuju, Wu Jinyu, Zhang Lifeng, Yang Yunjuan and Zhang Chao provided the highest guarantee and counter-guarantee)

4. *Compensation to key management personnel*

Item	Amounts for the period RMB('000)	Amounts for the same period of last year RMB('000)
Compensation to key management personnel	1,443	1,457

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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

1. Amount due from related parties

Name of item	Related party	Closing balance of current period		Closing balance of last year	
		Book balance RMB('000)	bad debts RMB('000)	Book balance RMB('000)	bad debts RMB('000)
Accounts receivable	Hebei Tieke Yichen New Material Technology Co., Ltd.	6,618	132	3,196	64
Sub-total		6,618	132	3,196	64
Other receivables	Ma Xuehui			100	2
	An Baoyun			20	1
Sub-total				120	3

2. Amount due to related parties

Name of item	Related party	Closing balance of current period RMB('000)	Closing balance of last year RMB('000)
Bills payable	Hebei Tieke Yichen New Material Technology Co., Ltd	23,500	28,500
Sub-total		23,500	28,500
Accounts payable	Hebei Tieke Yichen New Material Technology Co., Ltd	102,917	115,343
Sub-total		102,917	115,343
Non-current liabilities due within one year	Shijiazhuang City Gaocheng District Longji Corporate Management Co., Ltd.	613	599
Sub-total		613	599
Lease liabilities	Shijiazhuang City Gaocheng District Longji Corporate Management Co., Ltd.		627
Sub-total			627

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

8. COMMITMENTS AND CONTINGENCIES**(I) Significant commitments**

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

(II) Contingencies

As of 30 June 2022, the payments for equipment payable by the Company to Jiangsu Taiheda Machinery Co., Ltd. (江蘇泰禾達機械有限公司) was RMB2,490,000. As there were disputes over the payments for equipment between the two parties, on 7 August 2019, Jiangsu Taiheda Machinery Co., Ltd. (江蘇泰禾達機械有限公司) applied for arbitration with Jiangsu Yancheng Municipal Arbitration Commission (江蘇省鹽城市仲裁委員會), requiring the Company to pay the amount of RMB2,075,000 for loans under the contract as well as the interest of RMB85,000 and legal fees of RMB80,000. On 23 September 2020, the arbitration application was amended, which required the payment of RMB2,490,000 for loans under the contract, the overdue interest (calculated at the bank loan interest rate based on RMB2,075,000 since 22 February 2018, RMB2,490,000 from 21 February 2019 to 31 August 2020 and 0.5% per day based on RMB2,490,000 from 1 September 2020), and legal fees of RMB80,000. As of the date of approving the publication of these financial statements, the above-mentioned arbitration had not reached a verdict.

9. EVENTS AFTER THE BALANCE SHEET DATE**Profit distribution after the balance sheet date**

Profits or dividends distributed	49.651 million
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Profits or dividends declared to distribute after review and approval	According to the resolutions on 29 March 2022, the Board proposed to distribute a dividend of RMB0.0553 per share (inclusive of tax) with a total dividend of RMB49,650,552.00 for the year 2021, which was been approved at the annual general meeting held on 31 May 2022 and paid in July 2022.
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The Board of the Company did not recommend the payment of any interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: nil).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

10. OTHER SIGNIFICANT EVENTS**(I) Segment Information**

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

(II) Other significant transactions1. *Counterparties*

Name of counterparty	Relationship between the counterparty and the Company
Gangzhou Ganggang Railway Co., Ltd. (滄州滄港鐵路有限公司)	Joint stock company, with 6.178% equity interests held by the Company

2. *Transactions*

(1) Transactions regarding purchase of goods and acceptance of labour services

Counterparty	Transaction information	Amount for the period RMB('000)	Amount for the same period of last year RMB('000)
Gangzhou Ganggang Railway Co., Ltd. (滄州滄港鐵路有限公司)	Transport services		35
Total			35

(2) Transactions for sales of goods and provision of labour services

Counterparty	Transaction information	Amount for the period RMB('000)	Amount for the same period of last year RMB('000)
Gangzhou Ganggang Railway Co., Ltd. (滄州滄港鐵路有限公司)	Sale of goods	893	9,945
Total		893	9,945

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

10. OTHER SIGNIFICANT EVENTS (Continued)**(II) Other significant transactions** (Continued)

3. Amount due from/to counterparties
Amounts due from counterparties

Name of item	Counterparty	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)
	Cangzhou Canggang Railway Co., Ltd. (滄州滄港鐵路有限公司)	1,227	25	351	7
Sub-total		1,227	25	351	7

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

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

Profit for the same period of last year	Earnings per share (RMB/share)	
	Basic earnings per share	Diluted earnings per share
Net profit attributable to ordinary shareholders of the Company	0.10	0.10



MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

Since 2022, the international environment has become more complex and severe, and with the frequent and sporadic outbreak of domestic epidemics, the adverse effects have increased significantly. The extremely unusual economic development, and the unexpected and abrupt factors have brought serious impact. According to the data released by the National Bureau of Statistics, the GDP for the first half of the year increased by 2.5% year-on-year at constant prices.

In the first half of 2022, 2,043.5 km of new national railway lines were put into operation, including 995.9 km of high-speed railways. The total fixed asset investments in national

railways amounted to RMB285.3 billion, representing a year-on-year decrease of 4.6%. During the period, Zhengzhou-Chongqing High-speed Railway (Xiangyang to Wanzhou Section), Jinan-Zhengzhou High-speed Railway (Puyang to Zhengzhou Section), Huanggang-Huangmei High-speed Railway, Hetian-Ruoqiang Railway, Beijing Fengtai Station and other projects were put into operation safely with high quality according to law, and the Sichuan-Tibet Railway, Yunnan-Tibet Railway (Lijiang to Shangri La Section), Chongqing-Kunming High-speed Railway and other projects under construction were orderly proceeded.





Management Discussion and Analysis

RESPONSE TO THE EPIDEMIC

In the first half of 2022, the epidemic showed three new characteristics: (i) there were multiple outbreaks of the epidemic, with numerous and sporadic cases and sudden clustered epidemics reported at multiple locations; (ii) the virus became more infectious, and most of the people were infected by Omicron strain which is highly infectious, fast spreading and hidden; and (iii) asymptomatic infections accounted for a large proportion, and many infected people had no symptom or feel no symptoms.

Facing the grim challenges, the Company persisted in both epidemic prevention and control and ensuring production safety by closely monitoring the development of the epidemic, taking strict and effective measures against the epidemic, and regarding the safety and health of its staff as the top priority. The Company strengthened the prevention and control of the whole chain, adopted rigorous anti-epidemic measures, arranged comprehensive disinfection in production and office areas, actively promoted the importance of epidemic prevention and enhanced the staff's motivation and alertness in preventing the epidemic, so as to fully safeguard the health of the staff and consolidate the internal defensive line of business, in order to contain the possible occurrence and spread of the epidemic to the greatest extent. The Company actively communicated with customers and suppliers to assess the impact of the epidemic on its suppliers, customer demands and the market, and timely adjusted its production and operation plans to effectively control the impact of the epidemic on business operation.

BUSINESS REVIEW

In the first half of 2022, due to the impact of the Russia-Ukraine crisis and sanctions, as well as a new round of resurgence of the epidemic and the implementation of prevention and control policies and other unexpected factors, China's economic development faced the growing "Triple Pressures", with both supply and demand declining, market expectations deteriorating and economic growth slowing down significantly. There are certain impacts of the epidemic on the business of the Company as the principal business of the Group operates in the domestic market. During the period, in the face of various uncontrollable factors caused by the epidemic, the Company actively communicated with customers and suppliers to assess the impact of the epidemic on its suppliers, customer demands and the market, and timely adjusted its production and operation plans to effectively control the impact of the epidemic on business operation.

The Group is a leading rail fastening system products provider in the PRC, with its major business focusing 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 2022, the total revenue of the Group amounted to approximately RMB646.0 million, representing a year-on-year increase of approximately 8.7%.



Management Discussion and Analysis

Rail Fastening System Products

For the six months ended 30 June 2022, the revenue from rail fastening system products amounted to approximately RMB450.5 million, accounting for approximately 69.7% of the Group's total revenue and representing an increase of approximately 0.2% over the revenue of approximately RMB449.8 million from this segment for the same period of last year. During the period under review, rail fastening system products achieved steady growth.

For the period under review, the cost of sales relating to rail fastening system products increased by approximately 17.1% from approximately RMB272.0 million for the first half of 2021 to approximately RMB318.6 million for the same period of 2022. The change in cost was mainly attributable to the increase in the cost of raw materials.

During the period, the gross profit of rail fastening system products amounted to approximately RMB131.9 million, representing a decrease of approximately 25.8% compared with the gross profit of approximately RMB177.8 million for the same period of last year. The gross profit margin of rail fastening system products decreased from approximately 39.5% for the first half of 2021 to approximately 29.3% for the first half of 2022.

As of 30 June 2022, the Group's initial contract value of agreements on supplying rail fastening systems amounted to approximately RMB541.9 million, representing an increase of approximately 5.3% from the same period of last year. The initial contract value of agreements on high-speed rail fastening systems amounted to approximately RMB328.0 million, representing an increase of approximately 24.0% compared with the same period of last year; the initial contract value of agreements on heavy-haul rail fastening systems amounted to approximately RMB1.66 million; the initial contract value of agreements on urban transit fastening systems amounted to approximately RMB106.7 million; and the initial contract value of agreements on normal speed rail fastening systems was approximately RMB105.6 million. As of 30 June 2022, the backlog of the Group amounted to approximately RMB1,130.0 million (value-added tax included).

Welding Wire Products

For the six months ended 30 June 2022, the revenue from welding wire products amounted to approximately RMB152.9 million, accounting for approximately 23.7% of total revenue of the Group. Compared to the revenue of approximately RMB101.0 million for the first half of 2021, the increase in revenue was mainly attributable to the tapping into solid welding wire business by the Company and the growing market demand for welding wire during the first half of 2022.

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.



Management Discussion and Analysis

Railway Sleeper Products

For the six months ended 30 June 2022, the revenue from railway sleeper products was approximately RMB34.6 million, accounting for approximately 5.4% of the Group's total revenue, while the revenue from railway sleeper increased by approximately 19.7% compared with the same period of last year, which was mainly attributable to the increase in revenue from its subsidiary Xingtai Juneng Railway Electrical Equipment Co., Ltd.* (邢臺炬能鐵路電氣器材有限公司) (“Xingtai Juneng”).

FUTURE PROSPECTS

Looking forward to the second half of 2022, China's stable growth policies have been gradually implemented, and incremental and stable growth policies are expected to be continuously introduced and implemented in the future. China's economy is expected to recover progressively in the second half of the year under the continuous promotion of stable growth policies.

In terms of railway construction, China State Railway Group Co., Ltd. (“**State Railway Group**”) held a party group (enlarged) meeting on 16 May 2022 (the “**Meeting**”), which emphasised that the key projects conducive to lead industry development and maintain national security shall be deployed in advance, while the extent of implementation shall be controlled appropriately to effectively improve the comprehensive benefits of the life-cycle of key railway projects. According to the State Railway Group, the railway sector takes full advantage of the number of railway construction investments, the large scale of labour, the long association chain and the significant effect of stimulating economic growth, focusing on serving the implementation of major national strategies and promoting the construction of the Sichuan-Tibet Railway with high quality, centering on the implementation of the projects involving railway section in the 102 projects identified by the outline of the national “Fourteen Five-Year Plan”.

The Meeting requested for the conscientious implementation of the key tasks of the overall strengthening of infrastructure construction, with the connection and complementation of industry network and the strengthening of industry chain as the focus of construction, promoting the strategic backbone channels along the rivers and coastal borders, leaving Xinjiang, entering Tibet, and land and sea of West China, particularly the Sichuan-Tibet Railway project construction, optimising the comprehensive hub function of railway freight, strengthening the construction of transport channels for bulk cargo, promoting the development with the convergence of four railway networks (namely the network of trunk railway, intercity railway, urban (suburban) railway and urban rail transit), reinforcing the railway planning and construction of old revolutionary areas, ethnic areas and key rural revitalization areas, and continuously deepening the reform of railway investment and financing system to provide support for the strengthening of the construction of railway infrastructure.

Looking ahead, with China's overall railway technology entering the world's advanced level, accelerating the railway construction in a scientific, orderly and secured way with high quality will be a major task for railway construction. As a leading provider of rail fastening system in the railway industry of China, the Group will capture the market development opportunities under the goal of building up a strong nation of transit, by adhering to the core concept of producing high-quality products of rail fastening system and railway sleeper, focusing on the improvement of product quality and service standard, so as to contribute to the high level construction and safe operation of railways in China and bring benefits to social life. Moreover, the Group will also continue to explore the opportunities for vertical expansion in the industry, actively create diversified product portfolio, and enhance the core competitiveness and profitability of the Group, so as to consolidate the Group's business and gain market recognition with the best railway products and services.

* For identification purpose only



Management Discussion and Analysis

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 increased to approximately RMB646.0 million for the first half of 2022 from approximately RMB594.4 million for the first half of 2021, mainly attributable to the increase in revenue of welding wire products.

Revenue related to rail fastening system products increased by approximately 0.2% to approximately RMB450.5 million for the first half of 2022 from approximately RMB449.8 million for the first half of 2021. During the period under review, rail fastening system products achieved steady growth.

Revenue related to welding wire products increased by approximately 51.4% from approximately RMB101.0 million for the first half of 2021 to approximately RMB152.9 million for the same period of 2022, mainly attributable to the tapping into solid welding wire business by the Company and the growing market demand for welding wire during the first half of 2022.

Revenue related to railway sleeper products increased by approximately 19.7% from approximately RMB28.9 million for the first half of 2021 to approximately RMB34.6 million for the same period of 2022, mainly attributable to the growth of revenue of the Company's subsidiary Xingtai Juneng.

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

Operating Cost

The Group's cost of sales increased by approximately 25.6% to approximately RMB492.1 million for the first half of 2022 from approximately RMB391.8 million for the first half of 2021, which was mainly attributable to the increase in the cost of raw materials and product revenue which led to higher operating cost accordingly.

Cost of sales related to rail fastening system products increased by approximately 17.1% to approximately RMB318.6 million for the first half of 2022 from approximately RMB272.0 million for the same period of 2021, which was mainly attributable to the increase in the cost of raw materials.

Cost of sales related to welding wire products increased by approximately 60.1% to approximately RMB143.8 million for the first half of 2022 from approximately RMB89.8 million for the same period of 2021, which was mainly attributable to the increase in the sales revenue of welding wire products which led to higher operating cost accordingly.

Cost of sales related to railway sleeper products increased by approximately 30.5% to approximately RMB23.1 million for the first half of 2022 from approximately RMB17.7 million for the same period of 2021, which was mainly attributable to the increase in the sales revenue of railway sleeper products which led to higher operating cost accordingly.



Management Discussion and Analysis

Gross Profit

Based on the aforesaid reasons, the Group recorded a gross profit of approximately RMB153.9 million from January to June 2022, representing a decrease of approximately 24.0% as compared to the gross profit of approximately RMB202.6 million recorded for the same period of 2021, which was mainly attributable to the increase in operating cost as a result of the increase in the price of raw materials.

Gross profit of rail fastening system products decreased by approximately 25.8% to approximately RMB131.9 million for the first half of 2022 from approximately RMB177.8 million for the same period of 2021. Gross profit margin of rail fastening system products decreased to approximately 29.3% for the first half of 2022 from approximately 39.5% for the first half of 2021, which was mainly attributable to the increase in the cost of raw materials.

Gross profit of welding wire products decreased by approximately 18.8% to approximately RMB9.1 million for the first half of 2022 from approximately RMB11.2 million for the same period of 2021. Gross profit margin decreased from approximately 11.1% for the first half of 2021 to approximately 6.0% for the first half of 2022, which was mainly attributable to the increase in the cost of raw materials.

Gross profit of railway sleeper products of approximately RMB11.2 million for the first half of 2021 remained at a similar level of approximately RMB11.5 million for the first half of 2022. Gross profit margin dropped to approximately 33.2% for the first half of 2022 from approximately 38.8% for the first half of 2021, which was mainly attributable to the decrease in gross profit margin as a result of the sales of different types of railway sleeper products.

Selling Expenses

Selling expenses of the Group amounted to approximately RMB8.7 million for January to June 2022, compared to approximately RMB12.3 million for January to June 2021. For the six months ended 30 June 2021 and 30 June 2022, selling expenses as a percentage of total revenue accounted for approximately 2.1% and 1.3%, respectively. The decrease in selling expenses was mainly attributable to the increase in product testing and certification fees for January to June 2021.

Management Expenses

Management expenses of the Group amounted to approximately RMB35.5 million and RMB36.3 million for January to June 2021 and January to June 2022, respectively. The increase in management expenses was mainly attributable to the increase in the depreciation expense of office building.

Investment Gains

Investment gains of the Group amounted to approximately RMB11.4 million and RMB17.1 million for January to June 2021 and January to June 2022, respectively, among which, the share of investment gains from associates was approximately RMB15.1 million for the first half of 2022, representing an increase of approximately RMB3.6 million compared to the same period of 2021, which was mainly attributable to the increase in the net profit of the associates.

Net Finance Costs

For the first half of 2022, the Group incurred net finance costs totaling approximately RMB8.6 million, as compared to net finance costs totaling approximately RMB7.3 million incurred for the first half of 2021. The increase in net finance costs was mainly attributable to the increase in interest expenses.



Management Discussion and Analysis

Operating Profit

Based on the aforesaid reasons, the Group recorded operating profit of approximately RMB82.8 million from January to June 2022, representing a decrease of approximately 19.2% as compared to operating profit of approximately RMB102.5 million recorded in the same period of 2021, which was mainly attributable to the increase in operating cost.

Income Tax

Income tax expense of the Group decreased to approximately RMB8.3 million from January to June 2022 from approximately RMB12.7 million from January to June 2021, which was mainly attributable to the decrease in total profit.

Net Profit

Based on the aforesaid reasons, the net profit decreased by approximately 17.1% to approximately RMB74.3 million for the period ended 30 June 2022 from approximately RMB89.6 million for the period ended 30 June 2021, which was mainly attributable to the increase in operating cost.

From January to June 2022, the Group's net profit attributable to owners of the parent company amounted to approximately RMB73.5 million, representing a decrease of approximately 17.3% from approximately RMB88.9 million for the same period of 2021. For the first half of 2022, basic earnings per share amounted to RMB0.08, representing a decrease from the basic earnings of RMB0.10 per share for the same period of 2021, which was mainly due to the decrease in net profit of the Group attributable to owners of the parent company for the first half of 2022.

Total Assets

As at 30 June 2022, the total assets of the Group were approximately RMB3,451.7 million, representing an increase of approximately 7.1% from approximately RMB3,222.0 million as at 31 December 2021, which was mainly due to the increase in receivables and long-term assets.

Total Liabilities

As at 30 June 2022, the total liabilities of the Group were approximately RMB1,066.2 million, representing an increase of approximately 23.8% from approximately RMB861.1 million as at 31 December 2021, which was mainly attributable to the increase in bank borrowings.

Total Equity

As at 30 June 2022, the total equity of the Group was approximately RMB2,385.5 million, representing an increase of 1.0% from approximately RMB2,360.9 million as at 31 December 2021, which was mainly attributable to the increase in undistributed profits.

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 the 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 2022, the Group's gearing ratio was 14.2%, representing an increase of 5.1 percentage point as compared to 9.1% as at 31 December 2021, which was mainly attributable to the increase in borrowings.



Management Discussion and Analysis

EMPLOYEE AND REMUNERATION POLICIES

As at 30 June 2022, the Group incurred total staff costs of approximately RMB55.1 million for 1,362 employees (as at 30 June 2021: 1,350 employees), representing an increase of approximately RMB7.6 million or approximately 16.0% as compared to the same period of 2021, which was mainly due to (i) the increase in the number of employees of the Group; and (ii) the decrease in employee remuneration for the same period last year as a result of the impact of the COVID-19 pandemic in Shijiazhuang.

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

In addition, in order to recognise and acknowledge the contributions which the employees have made or may make to the Group, the Board has proposed to adopt a share award scheme (the "**Scheme**"), under which the Board may grant awards of H shares of the Company to any full-time employee of the Group in accordance with the rules of the Scheme. The Scheme has been approved by the shareholders of the Company (the "**Shareholders**") and adopted on 13 September 2022. For further details, please refer to the announcements of the Company dated 27 July 2022 and 13 September 2022 and the circular of the Company dated 18 August 2022.



OTHER INFORMATION

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

As at 30 June 2022, 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) (“**SFO**”)) (a) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) which are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code (including those they are taken or deemed to have under such provisions of the SFO) are as follows:

Long positions in the Domestic Shares of the Company:

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

Notes:

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

Save as disclosed above, as at 30 June 2022, 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 2022, so far as is known to the Directors, the interests or short positions of the persons (other than a Director, Supervisor or chief executive of the Company) in the Shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO or which would fall to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO are as follows:

Long positions in the Shares of the Company:

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



Other Information

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



Other Information

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



Other Information

Name	Class of Shares	Capacity/nature of interest	Number of Shares	Approximate percentage of shareholding in the relevant class of Shares (%) (Note 2)	Total approximate percentage of Shareholding in the total share capital of the Company (%) (Note 3)
Mr. 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%
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%
BOCOM International Securities Limited	H Shares	Beneficial owner	33,669,000	15.00%	3.75%
BOCOM International Holdings Company Limited (Note 18)	H Shares	Interest in controlled corporation	33,669,000	15.00%	3.75%
Bank of Communications (Nominee) Company Limited (Note 18)	H Shares	Interest in controlled corporation	33,669,000	15.00%	3.75%
Bank of Communications Co., Ltd. (Note 18)	H Shares	Interest in controlled corporation	33,669,000	15.00%	3.75%
Beijing Infrastructure Investment (Hong Kong) Limited	H Shares	Beneficial owner	38,102,000	16.97%	4.24%
Beijing Infrastructure Investment Co., LTD (Note 19)	H Shares	Interest in controlled corporation	38,102,000	16.97%	4.24%
GUOKONG (HONG KONG) INVESTMENT CO., LIMITED	H Shares	Beneficial owner	20,300,000	9.04%	2.26%
Shijiazhuang State-owned Holding Investment Group Company Limited (Note 20)	H Shares	Interest in controlled corporation	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.
- (13) Mr. Zhang Weiwei (張偉衛) is the spouse of Ms. Zhang Yanfeng (張艷峰). Under the SFO, Mr. Zhang Weiwei is deemed to be interested in the same number of Shares in which Ms. Zhang Yanfeng is interested.
- (14) Ms. Yin Yanping (尹彥萍) is the spouse of Mr. Zhang Lihuan (張力歡). Under the SFO, Ms. Yin Yanping is deemed to be interested in the same number of Shares in which Mr. Zhang Lihuan is interested.
- (15) Ms. Huang Li (黃麗) is the spouse of Mr. Zhang Ning (張寧). Under the SFO, Ms. Huang Li is deemed to be interested in the same number of Shares in which Mr. Zhang Ning is interested.



Other Information

- (16) Mr. Liu Chaohui (劉朝輝) is the spouse of Ms. Zhang Hong (張宏). Under the SFO, Mr. Liu Chaohui is deemed to be interested in the same number of Shares in which Ms. Zhang Hong is interested.
- (17) Ms. Gao Xiangrong (高香榮) is the spouse of Mr. Zhang Ruiqiu (張瑞秋). Under the SFO, Ms. Gao Xiangrong is deemed to be interested in the same number of Shares in which Mr. Zhang Ruiqiu is interested.
- (18) Bank of Communications (Nominee) Company Limited is wholly owned by Bank of Communications Co., Ltd.; BOCOM International Holdings Company Limited is wholly owned by Bank of Communications (Nominee) Company Limited; and BOCOM International Securities Limited is wholly owned by BOCOM International Holdings Company Limited. Under the SFO, Bank of Communications Co., Ltd., Bank of Communications (Nominee) Company Limited and BOCOM International Holdings Company Limited are deemed to be interested in the H Shares beneficially owned by BOCOM International Securities Limited.
- (19) Beijing Infrastructure Investment (Hong Kong) Limited is wholly owned by Beijing Infrastructure Investment Co., LTD. 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. 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 2022, no person (other than a Director, Supervisor and chief executive of the Company, whose interests are set out in the section headed “Interests and Short Positions of the Directors, Supervisors and Chief Executives in the Shares, Underlying Shares and Debentures” above), had registered any interest or short position in the Shares and underlying shares of the Company which are recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO or which would fall to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO.

CHANGES IN THE INFORMATION OF DIRECTORS

The changes in the information of the Directors which were required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules are as follows:

Ms. Gu Xiaohui resigned as a non-executive Director of Bil Railway Transportation Technology Holdings Company Limited and the Company in March 2022 and September 2022, respectively.

Mr. Wang Qi resigned as an independent non-executive Director, the Chairman of the nomination committee and a member of each of the audit committee and the corporate governance committee of the Company in April 2022.

Mr. Wang Fujun was appointed as an independent non-executive Director, the Chairman of the nomination committee and a member of each of the audit committee and the corporate governance committee of the Company in May 2022.

Ms. Zheng Zhixing was appointed as a non-executive Director in September 2022.

Save as disclosed above, there is no other information required to be disclosed herein pursuant to Rule 13.51B(1) of the Listing Rules.



Other Information

INTERIM DIVIDEND

Having considered the impact of the epidemic and the potential operating risks therefrom, to meet the liquidity needs of daily operations and the smooth execution of mid to long-term development strategies of the Company, the Board did not recommend the distribution of an interim dividend for the six months ended 30 June 2022.

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

EVENTS AFTER REPORTING PERIOD

No other significant events occurred subsequent to the six months ended 30 June 2022 and up to the date of this report.

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 2022.

AUDIT COMMITTEE

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

The Audit Committee of the Company has reviewed the Group's unaudited interim condensed consolidated results and this interim report for the six months ended 30 June 2022 prepared in accordance with the PRC Financial Reporting Standards and agreed to the accounting principles, accounting treatment and practices adopted by the Company.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

As a company listed on the Stock Exchange, the Company always strives to maintain a high level of corporate governance and had complied with all code provisions as set out in the "Corporate Governance Code" set out in Part 2 of Appendix 14 to the Listing Rules throughout the six months ended 30 June 2022.

COMPLIANCE WITH CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions of the Company by the Directors and Supervisors. Upon making specific enquiries to all of the Directors and Supervisors, all Directors and Supervisors confirmed that throughout the six months ended 30 June 2022, each of them had fully complied with the required standards set out in the "Model Code for Securities Transactions by Directors of Listed Issuers".



Other Information

INDEPENDENT NON-EXECUTIVE DIRECTORS

As disclosed in the announcements of the Company dated 13 April 2022, 20 April 2022 and 31 May 2022 and the circular of the Company dated 27 April 2022, Mr. Wang Qi resigned as an independent non-executive Director with effect from 13 April 2022 to devote more time to his other personal commitments and ceased to be, among other things, a member of the audit committee of the Board. Following the resignation of Mr. Wang Qi, the Company was not in compliance with the requirements under Rules 3.10(1), 3.10A and 3.21 of the Listing Rules in relation to the minimum number of independent non-executive directors and audit committee members of a listed issuer.

In order to fill the vacancies in the Board and its committees and to re-comply with the aforementioned requirements under the Listing Rules, the Board has on 20 April 2022 proposed the election of Mr. Wang Fujun, and the Shareholders have on 31 May 2022 resolved to appoint Mr. Wang Fujun as an independent non-executive Director. Mr. Wang Fujun has also been appointed, among other things, a member of the audit committee of the Board on the same date. Accordingly, following the appointment of Mr. Wang Fujun, the Company has re-complied with the relevant requirements under Rules 3.10(1), 3.10A and 3.21 of the Listing Rules.

Save as disclosed above, during the six months ended 30 June 2022, 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

13 September 2022

* For identification purpose only