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Hebei Yichen Industrial Group Corporation Limited*

河北翼辰實業集團股份有限公司

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

(Stock Code: 1596)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2024

UNAUDITED INTERIM RESULTS

The board of directors (the “**Board**”) of Hebei Yichen Industrial Group Corporation Limited (the “**Company**”) is pleased to announce the unaudited interim condensed consolidated results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2024 (the “**period under review**”) (all amounts in RMB’000 unless otherwise stated), together with comparative figures as follows:

* *For identification purposes only*

CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2024

	Notes	For the six months ended 30 June	
		2024 RMB('000) (Unaudited)	2023 RMB('000) (Unaudited)
I. Total operating revenue	9	498,707	542,641
II. Total operating cost		478,062	507,417
Including: Operating cost	9	397,119	419,425
Taxes and surcharges		6,357	7,480
Selling expenses		10,267	9,700
Management expenses		42,191	44,119
Research and development expenses		13,025	17,276
Finance costs		9,103	9,417
Including: Finance expenses		8,728	10,025
Interest income		358	1,324
Add: Other income		808	1,406
Investment gains/(losses)	10	8,273	(47,930)
Including: Gains on investments in associates and joint ventures		7,600	18,539
Gains/(losses) on derecognition of financial assets measured at amortised cost		(7)	(71)
Gains/(losses) from changes in fair value	11	(58,506)	(28,059)
Loss on credit impairment		(14,637)	(3,411)
Impairment loss of assets		(8,201)	(6,389)
III. Operating profits/(losses)		(51,618)	(49,159)
Add: Non-operating incomes		62	1,387
Less: Non-operating expenses		37	122
IV. Total profit/(total loss)		(51,593)	(47,894)
Less: Income tax expenses	12	(9,422)	(14,400)

CONSOLIDATED INCOME STATEMENT (Continued)*For the six months ended 30 June 2024*

		For the six months ended 30 June	
		2024	2023
		RMB('000)	RMB('000)
	<i>Notes</i>	(Unaudited)	(Unaudited)
V. Net profit/(net loss)		(42,171)	(33,494)
(I) Classified according to continuity:			
1. Net profit/(net loss) from continuing operations		(42,171)	(33,494)
2. Net profit from discontinued operations		–	–
(II) Classified according to equity holdings:			
1. Net profit/(net loss) attributable to owners of the parent		(42,177)	(33,914)
2. Profit or loss of minority interests		6	420
VI. Other comprehensive income after tax, net		–	–
Other comprehensive income after tax attributable to owners of the parent, net		–	–
(I) Other comprehensive income that cannot be reclassified to profit or loss		–	–
(II) Other comprehensive income that will be reclassified to profit or loss		–	–
VII. Total other comprehensive income		(42,171)	(33,494)
Total comprehensive income attributable to owners of the parent		(42,177)	(33,914)
Total comprehensive income attributable to minority interests		6	420
VIII. Earnings/(losses) per share:			
Basic earnings/(losses) per share (<i>RMB</i>)	<i>13</i>	(0.05)	(0.04)
Diluted earnings/(losses) per share (<i>RMB</i>)		(0.05)	(0.04)

CONSOLIDATED BALANCE SHEET

As at 30 June 2024

		30 June 2024	31 December 2023
	<i>Notes</i>	RMB('000) (Unaudited)	RMB('000) (Audited)
Current assets			
Monetary capital		189,379	132,087
Financial assets held for trading		41,544	101,346
Notes receivable	5	46,665	72,234
Accounts receivable	6	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		435,713	355,301
Contract assets		38,900	38,934
Other current assets		19,782	26,457
		<hr/>	<hr/>
Total current assets		1,910,904	1,948,314
		<hr/>	<hr/>
Non-current assets			
Long-term equity investments		290,483	281,807
Other equity instruments investment		8,197	8,197
Fixed assets		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
		<hr/>	<hr/>
Total non-current assets		1,556,900	1,490,878
		<hr/>	<hr/>
Total assets		3,467,804	3,439,192
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CONSOLIDATED BALANCE SHEET (Continued)*As at 30 June 2024*

		30 June 2024	31 December 2023
	<i>Notes</i>	<i>RMB('000)</i> (Unaudited)	<i>RMB('000)</i> (Audited)
Current liabilities			
Short-term borrowings		210,757	198,145
Notes payable	7	22,075	32,595
Accounts payable	8	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
Total current liabilities		807,161	805,210
Non-current liabilities			
Long-term borrowings		227,460	150,310
Lease liabilities		622	–
Deferred income		4,362	4,478
Deferred income tax liabilities		279	290
Total non-current liabilities		232,723	155,078
Total liabilities		1,039,884	960,288
Owner's equity			
Share capital		448,920	448,920
Capital reserve		813,726	813,539
Other comprehensive income/(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
Total owner's equity		2,427,920	2,478,904
Total liabilities and owner's equity		3,467,804	3,439,192

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. GENERAL INFORMATION

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

The Company was incorporated in the People’s Republic of China (the “**PRC**”) on 9 April 2001. The addresses of the Company’s registered offices are No.1, Yichen North Street, Gaocheng District, Shijiazhuang City, Hebei Province, the PRC and No. 268 Lianzhou East Road, Gaocheng District, Shijiazhuang City, Hebei Province, the PRC. The Group is principally engaged in research and development, manufacturing and sales of rail fastening system products, welding wire products and railway sleeper products. On 21 December 2016, the H shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The existing share capital of the Company is RMB448,920,000 and the total number of shares is 897,840,000 with a nominal value of RMB0.50 per share. Unless otherwise stated, the financial information for the six months ended 30 June 2024 is presented in Renminbi (“**RMB**”) thousands. The consolidated results for the six months ended 30 June 2024 have not been audited by the auditors of the Company, but have been reviewed by the Audit Committee of the Company.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These financial statements are prepared based on a going concern basis and based on actual transactions and events according to the Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC and relevant regulations (hereinafter collectively referred to as “**PRC Accounting Standards**”), as well as disclosure requirements under the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) and Hong Kong Companies Ordinance, and based on the accounting policies and estimates applicable to the Group.

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

- The Company has adopted the provision of “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.
- 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.
- 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.
- 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.

4. SEGMENT INFORMATION

The Group's segment information is presented on the basis of internal reports that are regularly reviewed by the Group's Executive Committee (the chief operating decision maker), in order to allocate resources to the segments and assess their performance. For each of the Group's reportable segments, the Group's Executive Committee conducts at least one monthly review on its internal management reports.

The management has determined the reportable segments based on these reports. The Group determines its business from a product perspective:

- Rail fastening system products: research and development, manufacturing and sales of rail fastening system products
- Welding wire products: research and development, manufacturing and sales of welding wire products
- Railway sleeper products: research and development, manufacturing and sales of concrete sleeper products

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

The segment information for January to June 2024 and January to June 2023 is listed as follows:

Item	Rail fastening system		Welding wire	
	January to June 2024 RMB('000)	January to June 2023 RMB('000)	January to June 2024 RMB('000)	January to June 2023 RMB('000)
Total revenue	300,433	305,328	154,013	185,292
Inter-segment revenue				
Revenue from external customers	300,433	305,328	154,013	185,292
Total operating cost	(205,909)	(201,834)	(154,875)	(178,478)
Segment gross profit	94,524	103,494	(862)	6,814
Other profit or loss disclosure				
Depreciation and amortisation	21,896	18,801	5,595	6,053
Provision for loss on credit impairment	(13,005)	(1,026)	(246)	175
Provision for impairment loss of assets	(7,053)	(4,562)	(815)	(1,773)
Finance costs	–	–	–	–

Item	Railway sleepers		Others		Total	
	January to June 2024 RMB('000)	January to June 2023 RMB('000)	January to June 2024 RMB('000)	January to June 2023 RMB('000)	January to June 2024 RMB('000)	January to June 2023 RMB('000)
Total revenue	40,556	46,911	3,705	5,110	498,707	542,641
Inter-segment revenue						
Revenue from external customers	40,556	46,911	3,705	5,110	498,707	542,641
Total operating cost	(33,899)	(36,409)	(2,436)	(2,704)	(397,119)	(419,425)
Segment gross profit	6,657	10,502	1,269	2,406	101,588	123,216
Other profit or loss disclosure						
Depreciation and amortisation	2,302	2,034	270	313	30,063	27,201
Provision for loss on credit impairment	(1,398)	(2,637)	12	77	(14,637)	(3,411)
Provision for impairment loss of assets	(333)	(54)	–	–	(8,201)	(6,389)
Finance costs	–	–	9,103	9,417	9,103	9,417

5. NOTES RECEIVABLE

Breakdown

Item	30 June 2024 RMB('000)	31 December 2023 RMB('000)
Book balance of notes receivable	48,496	72,783
Less: Provision for bad debts	(1,831)	(549)
Book value of notes receivable	<u>46,665</u>	<u>72,234</u>

6. ACCOUNTS RECEIVABLE

(a) Breakdown

Item	30 June 2024 RMB('000)	31 December 2023 RMB('000)
Book balance of accounts receivable	1,319,616	1,423,357
Less: Provision for bad debts	(244,111)	(234,489)
Book value of accounts receivable	<u>1,075,505</u>	<u>1,188,868</u>

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

Item	30 June 2024 <i>RMB('000)</i>	31 December 2023 <i>RMB('000)</i>
Within 1 year	622,673	751,571
1 to 2 years	340,664	357,967
2 to 3 years	170,007	134,979
Over 3 years	186,272	178,840
Total	<u>1,319,616</u>	<u>1,423,357</u>

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

7. BILLS PAYABLE

Item	30 June 2024 <i>RMB('000)</i>	31 December 2023 <i>RMB('000)</i>
Bills payable	<u>22,075</u>	<u>32,595</u>
Total	<u>22,075</u>	<u>32,595</u>

8. ACCOUNTS PAYABLE

(a) Breakdown

Item	30 June 2024 <i>RMB('000)</i>	31 December 2023 <i>RMB('000)</i>
Accounts payable	<u>399,580</u>	<u>350,349</u>
Total	<u>399,580</u>	<u>350,349</u>

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

Item	30 June 2024 <i>RMB('000)</i>	31 December 2023 <i>RMB('000)</i>
Within 1 year	344,111	280,977
Over 1 year	<u>55,469</u>	<u>69,372</u>
Total	<u>399,580</u>	<u>350,349</u>

9. OPERATING REVENUE/OPERATING COST

Item	January to June 2024 RMB('000)		January to June 2023 RMB('000)	
	Revenue	Cost	Revenue	Cost
Revenue from principal business	495,002	394,683	537,531	416,721
Other operating revenue	3,705	2,436	5,110	2,704
Total	<u>498,707</u>	<u>397,119</u>	<u>542,641</u>	<u>419,425</u>

10. INVESTMENT GAINS/(LOSSES)

Item	30 June 2024 RMB('000)	30 June 2023 RMB('000)
Gains from long-term equity investment calculated under equity method	7,600	18,539
Losses on discount of financing of receivables	(4)	–
Gains/losses on derecognition of financial assets measured at amortized cost	(7)	(71)
Investment gains from financial assets held for trading during the holding period	314	366
Investment gains/losses from disposal of financial assets held for trading	428	(66,764)
Procedural fees for subscription of financial assets held for trading	(58)	–
Total	<u>8,273</u>	<u>(47,930)</u>

11. GAINS/(LOSSES) FROM CHANGES IN FAIR VALUE

Item	30 June 2024 RMB('000)	30 June 2023 RMB('000)
Financial assets held for trading	(58,506)	(28,059)
Total	<u>(58,506)</u>	<u>(28,059)</u>

12. INCOME TAX EXPENSES

Item	30 June 2024 RMB('000)	30 June 2023 RMB('000)
Current income tax expenses	3,607	2,989
Deferred income tax expenses	(13,029)	(17,389)
Total	(9,422)	(14,400)

13. EARNINGS/(LOSSES) PER SHARE

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

Item	30 June 2024 RMB('000)	30 June 2023 RMB('000)
Total comprehensive income/(losses) attributable to owners of the parent	(42,177)	(33,914)
Weighted average number of ordinary shares in issue	897,840	897,840
Basic earnings/(losses) per share (<i>RMB per share</i>)	(0.05)	(0.04)

There were no potential dilutive ordinary shares for the six months ended 30 June 2024 and 30 June 2023. Diluted losses per share were equal to basic losses per share.

14. DIVIDENDS

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

A final dividend of RMB8,999,948 (approximately RMB0.010024 per share (inclusive of tax)) for the year ended 31 December 2023 was approved by the shareholders at the annual general meeting held on 30 May 2024 and paid in July 2024.

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%.

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. For the period under review, the gross profit margin of rail fastening system products maintained relatively stable at approximately 31.5%, as compared to approximately 33.9% for the same period of 2023.

As of 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 of 30 June 2024, the backlog of the Group amounted to approximately RMB2,109.8 million (value-added tax included).

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.

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.

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.

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.

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.

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.

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.

EVENTS AFTER BALANCE SHEET DATE

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

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.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the six months ended 30 June 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 of the Company 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".

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

As a company listed on the Stock Exchange, the Company always strives to maintain a high level of corporate governance and has complied with all code provisions as set out in the “Corporate Governance Code” contained in Appendix C1 to the Listing Rules throughout the six months ended 30 June 2024.

AUDIT COMMITTEE

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

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

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

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

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

Shijiazhuang, the PRC, 29 August 2024

As at the date of this announcement, the Board comprises Mr. Zhang Haijun, Mr. Wu Jinyu, Mr. Zhang Lihuan, Mr. Zhang Chao and Ms. Ma Xuehui as executive Directors; Ms. Zheng Zhixing as a non-executive Director; and Mr. Jip Ki Chi, Mr. Wang Fujun and Mr. Zhang Ligu as independent non-executive Directors.

* For identification purpose only