



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)

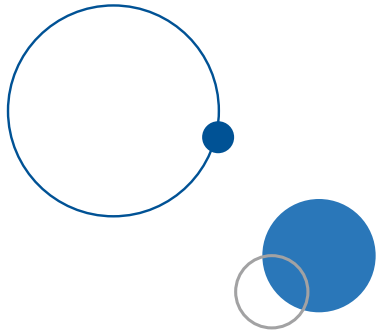
Stock Code : 1596

2021

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. Fan Xiulan

Non-executive Director

Ms. Gu Xiaohui

Independent non-executive Directors

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

SUPERVISORS

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

Mr. Wang Qi (*Chairman*)
Ms. Fan Xiulan
Mr. Zhang Liguo

CORPORATE GOVERNANCE COMMITTEE

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

STRATEGY COMMITTEE

Mr. Zhang Haijun (*Chairman*)
Ms. Fan Xiulan
Mr. Zhang Liguo

JOINT COMPANY SECRETARIES

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

AUTHORIZED REPRESENTATIVES

Mr. Zhang Haijun
Ms. Ng Wai Kam

ALTERNATES TO THE AUTHORIZED REPRESENTATIVES

Ms. Fan Xiulan
Mr. Zhang Chao



Corporate Information

**AUDITOR**

Pan-China Certified Public Accountants LLP
6/F, No. 128 Xixi Road
West Lake District, Hangzhou, Zhejiang Province
China

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
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77 Jianguo Road, Beijing
China

REGISTERED OFFICE AND HEADQUARTERS

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Gaocheng District
Shijiazhuang City
Hebei Province
China

ADDITIONAL REGISTERED ADDRESS

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PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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183 Queen's Road East
Hong Kong

H SHARE REGISTRAR

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

1596

COMPANY WEBSITE

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

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

REVIEW REPORT

Tian Jian Shen [2021] No. 3-512

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 2021, the consolidated income statement, the consolidated statement of cash flows and the consolidated statement of changes in owners’ equity for January to June 2021, and relevant 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

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

Hangzhou, the PRC

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

16 September 2021

CONSOLIDATED BALANCE SHEET (UNAUDITED)

As at 30 June 2021

	Notes	30 June 2021 RMB('000) (Unaudited)	31 December 2020 RMB('000) (Audited)
Current assets			
Monetary capital		344,298	238,069
Financial assets held for trading		58,523	91,311
Notes receivable	1	71,069	123,831
Accounts receivable	2	940,196	780,180
Financing of receivables		1,921	18,984
Prepayments		50,085	34,008
Other receivables		23,023	14,913
Inventories		372,129	396,225
Contract assets		52,933	80,458
Other current assets		14,200	16,429
Total current assets		1,928,377	1,794,408
Non-current assets			
Long-term equity investments	3	185,832	182,343
Other equity instruments investment		8,321	–
Fixed assets	4	235,080	193,165
Construction in progress	5	393,467	412,307
Right-of-use assets		1,499	1,798
Intangible assets	6	89,780	90,632
Goodwill		102,739	102,739
Deferred income tax assets		28,697	25,217
Other non-current assets		105,015	95,419
Total non-current assets		1,150,430	1,103,620
Total assets		3,078,807	2,898,028

Consolidated Balance Sheet (Unaudited) (Continued)

As at 30 June 2021

	Notes	30 June 2021 RMB('000) (Unaudited)	31 December 2020 RMB('000) (Audited)
Current liabilities			
Short-term borrowings	7	300,000	233,000
Notes payable		98,600	53,000
Accounts payable	8	301,599	316,867
Contract liabilities		7,727	12,098
Payroll payable		6,252	7,300
Tax payable		14,461	11,102
Other payables		20,011	24,921
Non-current liabilities due within one year	9	24,566	93,880
Other current liabilities		599	1,323
Total current liabilities		773,815	753,491
Non-current liabilities			
Long-term borrowings	10	84,000	–
Lease liabilities		613	1,226
Long-term payables		12,511	24,672
Deferred income		5,060	5,177
Deferred income tax liabilities		765	1,056
Total non-current liabilities		102,949	32,131
Total liabilities		876,764	785,622
Owners' equity			
Share capital		448,920	448,920
Capital reserve		813,227	813,227
Surplus reserve		115,160	115,160
Undistributed profits		815,239	726,328
Total equity attributable to owners of the parent		2,192,546	2,103,635
Minority interests		9,497	8,771
Total owner's equity		2,202,043	2,112,406
Total liabilities and owner's equity		3,078,807	2,898,028

CONSOLIDATED INCOME STATEMENT (UNAUDITED)

For the six months ended 30 June 2021

	Notes	For the six months ended 30 June	
		2021 RMB('000) (Unaudited)	2020 RMB('000) (Audited) (Restated)
I. Total operating revenue	1	594,421	574,814
II. Total operating cost		475,547	438,237
Including: Operating cost	1	391,783	366,482
Taxes and surcharges		5,397	4,793
Selling expenses		12,319	8,186
Management expenses		35,469	33,644
Research and development expense		23,316	19,859
Finance costs	2	7,263	5,273
Including: Interest costs		7,949	7,465
Interest income		1,017	1,616
Add: Other income		116	1,041
Investment gains (“-” for losses)		11,439	17,761
Including: Gains on investments in associates and joint ventures		11,518	17,761
Gain from changes in fair value		(21,634)	-
Loss on credit impairment (“-” for losses)	3	(5,445)	(943)
Impairment loss of assets (“-” for losses)	4	(851)	(3,207)
Gains on disposal of assets (“-” for losses)		-	110
III. Operating profits		102,499	151,339
Add: Non-operating income		87	97
Less: Non-operating expenses		219	2,458
IV. Total profit		102,367	148,978
Less: Income tax expenses	5	12,730	20,760
V. Net profit		89,637	128,218
(I) Classified according to continuity:			
1. Net profit from continuing operations		89,637	128,218
2. Net profit from discontinued operations		-	-
(II) Classified according to equity holdings:			
1. Net profit attributable to owners of the parent		88,911	126,621
2. Profit and loss of minority interests		726	1,597

Consolidated Income Statement (Unaudited) (Continued)

For the six months ended 30 June 2021

	Notes	For the six months ended 30 June	
		2021 RMB('000) (Unaudited)	2020 RMB('000) (Audited) (Restated)
VI. Other comprehensive income after tax, net			
Other comprehensive income after tax attributable to owners of the parent, net		-	-
(I) Other comprehensive income that cannot be reclassified to profit or loss		-	-
(II) Other comprehensive income that will be reclassified to profit or loss		-	-
VII. Total comprehensive income		89,637	128,218
Total comprehensive income attributable to owners of the parent		88,911	126,621
Total comprehensive income attributable to minority interests		726	1,597
VIII. Earnings per share:			
(I) Basic earnings per share (RMB)		0.10	0.14
(II) Diluted earnings per share (RMB)		0.10	0.14

CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

For the six months ended 30 June 2021

	For the six months ended 30 June	
	2021 RMB('000) (Unaudited)	2020 RMB('000) (Audited) (Restated)
I. Cash flows from operating activities:		
Cash received from sales of goods or rendering of labour service	421,982	473,662
Refund of taxes	–	1,448
Other cash received from operating-related activities	21,440	23,731
Sub-total of cash inflow from operating activities	443,422	498,841
Cash paid for goods purchased and labour service received	235,590	380,780
Cash paid to and for employees	48,561	44,737
Payments of taxes and surcharges	41,693	48,978
Other cash paid for operating-related activities	31,178	28,201
Sub-total of cash outflows for operating activities	357,022	502,696
Net cash flows from operating activities	86,400	(3,855)
II. Cash flows from investing activities:		
Cash from disinvestments	7,510	–
Cash received from return of investments	–	7,176
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	25	254
Other cash received from investing-related activities	–	–
Sub-total of cash inflows from investing activities	7,535	7,430
Cash paid for the purchase and construction of fixed assets, intangible assets and other long-term assets	32,889	60,418
Cash paid for investment	8,321	–
Net cash paid for acquisition of subsidiaries and other business units	–	–
Other cash paid for investing-related activities	–	–
Sub-total of cash outflows for investing activities	41,210	60,418
Net cash flows from investing activities	(33,675)	(52,988)

Consolidated Statement of Cash Flows (Unaudited) (Continued)

For the six months ended 30 June 2021

	For the six months ended 30 June	
	2021 RMB('000) (Unaudited)	2020 RMB('000) (Audited) (Restated)
III. Cash flows from financing activities:		
Cash received from borrowings	192,726	5,000
Other cash received from financing-related activities	–	–
Sub-total of cash inflows from financing activities	192,726	5,000
Cash paid for repayment of debts	111,726	30,000
Cash paid for distribution of dividends and profits or repayment of interest	8,074	11,446
Other cash paid for financing-related activities	52,131	10,853
Sub-total of cash outflows for financing activities	171,931	52,299
Net cash flows from financing activities	20,795	(47,299)
IV. Effect of changes in foreign exchange rates on cash and cash equivalents	(91)	665
V. Net increase in cash and cash equivalents	73,429	(103,477)
Add: Opening balance of cash and cash equivalents	135,785	280,263
VI. Closing balance of cash and cash equivalents	209,214	176,786

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY (UNAUDITED)

For the six months ended 30 June 2021

Items	For the six months ended 30 June 2021 (Unaudited)						
	Equity attributed to owners of parent company					Equity of minority shareholders RMB('000)	Total owners' equity RMB('000)
	Share Capital RMB('000)	Capital reserve RMB('000)	Other comprehensive income RMB('000)	Surplus reserve RMB('000)	Undistributed profits RMB('000)		
Closing balance of prior year	448,920	813,227		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

Items	For the six months ended 30 June 2020 (Audited)						
	Equity attributed to owners of parent company					Equity of minority shareholders RMB('000)	Total owners' equity RMB('000)
	Share Capital RMB('000)	Capital reserve RMB('000)	Other comprehensive income RMB('000)	Surplus reserve RMB('000)	Undistributed profits RMB('000)		
Closing balance of prior year	448,920	830,651		90,991	551,237	75,185	1,996,984
Add: Changes in accounting policies							
Opening balance of current year	448,920	830,651		90,991	551,237	75,185	1,996,984
Increase or decrease for the period					88,912	1,597	90,509
(I) Total comprehensive income					126,621	1,597	128,218
(II) Capital invested and decreased by owners							
(III) Profit distribution					(37,709)		(37,709)
Withdrawal of surplus reserve							
Distribution to owners (or shareholders)					(37,709)		(37,709)
(IV) Closing balance of current period	448,920	830,651		90,991	640,149	76,783	2,087,494

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”) was formerly known as Hebei Yichen Industrial Group Co., Ltd. (河北翼辰實業集團有限公司) (hereinafter referred to as “Yichen Industrial Ltd.”). 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 Hong Kong Stock Exchange on 21 December 2016.

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

These financial statements in this interim report were approved for publication at the 29th meeting of the second session of the Board of the Company on 16 September 2021.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

(I) Basis of Preparation

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

(II) Evaluation on Ability of Continuing Operation

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

3. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(I) Accounting Policies

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

This interim report has not included all notes in the annual report. Accordingly, this interim report should be read in conjunction with the 2020 annual report. The accounting policies adopted by the Company in preparation of this interim report are consistent with those accounting policies adopted for the 2020 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.

Notes to the Interim Condensed Consolidated Financial Information (Continued)

4. AUDIT OF THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

The Company has submitted the application documents in connection with the proposed A share offering and listing, including the A share prospectus (application proof), to the Shenzhen Stock Exchange in December 2020. The audited financial statements for the six months ended 30 June 2020 have been prepared by the auditor of the Company as part of the reporting materials.

The differences between unaudited and audited financial statements for the six months ended 30 June 2020 are as follows:

Contents of audit adjustments	Affected statement items for each comparative period	Impact on income statement for the six months ended 30 June 2020 RMB('000)
Revenue of engagement of processing wire should be recognized by net-value method	Operating revenue	(1,045)
	Operating cost	(1,045)
The loss on bad debts of contract assets and other non-current assets should be adjusted from loss on credit impairment to impairment loss of assets	Loss on credit impairment	(402)
	Impairment loss of assets	402

Notes to the Interim Condensed Consolidated Financial Information (Continued)

5. 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 2020, the closing balance represents the figures of financial statements as at 30 June 2021, the amount for the period refers to the figures of financial statements for January to June 2021, and the amount for the same period of last year refers to the figures of financial statements for January to June 2020.

(I) Notes to the Consolidated Balance Sheet

1. Notes receivable

Category	Carrying amount		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					
Including: Bank acceptance notes					
Trade acceptance notes					
Other notes receivable					
Provision for bad debts made as per portfolio	76,179	100.00	5,110	6.71	71,069
Including: Bank acceptance notes	28,761	37.75			28,761
Trade acceptance notes	14,783	19.41	3,098	20.96	11,685
Other notes receivable	32,635	42.84	2,012	6.17	30,623
Total	76,179	100.00	5,110	6.71	71,069

Category	Carrying amount		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					
Including: Bank acceptance notes					
Trade acceptance notes					
Other notes receivable					
Provision for bad debts made as per portfolio	136,291	100.00	12,460	9.14	123,831
Including: Bank acceptance notes	83,767	61.46			83,767
Trade acceptance notes	31,768	23.31	9,959	31.35	21,809
Other notes receivable	20,756	15.23	2,501	12.05	18,255
Total	136,291	100.00	12,460	9.14	123,831

Notes to the Interim Condensed Consolidated Financial Information (Continued)

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

2. Accounts receivable

(1) Breakdown
Breakdown by category

Category	Carrying amount		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	13,132	1.22	13,132	100.00	
Provision for bad debts made as per portfolio	1,067,239	98.78	127,043	11.90	940,196
Total	1,080,371	100.00	140,175	12.97	940,196

Category	Carrying amount		Closing balance of last year		Book value RMB('000)
	Amount RMB('000)	Proportion (%)	Provision for bad debts		
			Amount RMB('000)	Percentage of provision (%)	
Provision for bad debts made individually	12,135	1.34	12,135	100.00	
Provision for bad debts made as per portfolio	891,361	98.66	111,181	12.47	780,180
Total	903,496	100.00	123,316	13.65	780,180

(2) Ageing

Item	Book balance	
	Closing balance RMB('000)	Closing balance of last year RMB('000)
Within 1 year	756,717	563,945
1 to 2 years	130,928	160,785
2 to 3 years	94,158	100,931
3 to 4 years	36,494	26,959
4 to 5 years	24,362	17,891
Over 5 years	37,712	32,985
Sub-total	1,080,371	903,496

Notes to the Interim Condensed Consolidated Financial Information (Continued)

5. 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	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
	RMB('000)	RMB('000)	RMB('000)	RMB('000)	RMB('000)	RMB('000)
Investments in associates	185,832		185,832	182,343		182,343
Total	185,832		185,832	182,343		182,343

(2) Breakdown

Investee	Increase or decrease during the period				
	Beginning balance	Additional Investments	Decrease in investments	Investment profit or loss recognised using equity method	Adjustment to other comprehensive income
	RMB('000)	RMB('000)	RMB('000)	RMB('000)	RMB('000)
Associate					
Hebei Tieke Yichen New Material Technology Co., Ltd.	182,343			11,518	
Total	182,343			11,518	

Investee	Increase or decrease during the period				
	Other changes in equity	Cash dividends or profit distribution declared	Provision for impairment	Others	Closing balance
	RMB('000)	RMB('000)	RMB('000)	RMB('000)	RMB('000)
Associate					
Hebei Tieke Yichen New Material Technology Co., Ltd.		8,029			185,832
Total		8,029			185,832

Notes to the Interim Condensed Consolidated Financial Information (Continued)

5. 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 equipment RMB('000)	Other equipment RMB('000)	Total RMB('000)
Original carrying amount						
Opening balance	141,286	212,000	17,471	7,831	2,404	380,992
Increase during the period	40,013	12,902	108	127	6	53,156
1) Purchase	653	972	108	127		1,860
2) Transferred from construction in progress	39,360	11,930			6	51,296
Decrease during the period		165	48	16		229
1) Disposal or retirement		165	48	16		229
Closing balance	181,299	224,737	17,531	7,942	2,410	433,919
Accumulated depreciation						
Opening balance	35,083	130,286	13,223	7,145	2,090	187,827
Increase during the period	3,361	6,439	1,049	222	141	11,212
1) Provision	3,361	6,439	1,049	222	141	11,212
Decrease during the period		149	36	15		200
1) Disposal or retirement		149	36	15		200
Closing balance	38,444	136,576	14,236	7,352	2,231	198,839
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	142,855	88,161	3,295	590	179	235,080
Opening book value	106,203	81,714	4,248	686	314	193,165

Notes to the Interim Condensed Consolidated Financial Information (Continued)

5. 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	366,356		366,356	385,210		385,210
Harmonic management project	-		-	1,126		1,126
Andafa AX lean manufacturing management system	1,027		1,027	1,027		1,027
Environmental and energy-saving transformation of railway accessory molding lines (RD2019-21)	4,232		4,232	4,232		4,232
Automatic pouring machine	-		-	1,460		1,460
Wire production line	5,416		5,416	5,416		5,416
Automatic welding wire layer winding machine	2,150		2,150	2,858		2,858
Flux cored wire south workshop upgrade	4,432		4,432	-		-
Solid wire resource utilisation and treatment project	3,558		3,558	3,558		3,558
Sporadic projects	6,296		6,296	7,420		7,420
Total	393,467		393,467	412,307		412,307

Notes to the Interim Condensed Consolidated Financial Information (Continued)

5. 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	101,230	1,673	102,903
Increase during the period		265	265
1) Purchase		265	265
Decrease during the current period			
1) Disposal			
Closing balance	101,230	1,938	103,168
Accumulated amortisation			
Opening balance	11,331	940	12,271
Increase during the period	1,017	100	1,117
1) Provision	1,017	100	1,117
Decrease during the period			
1) Disposal			
Closing balance	12,348	1,040	13,388
Provision for impairment			
Opening balance			
Increase during the period			
1) Provision			
Decrease during the period			
1) Disposal			
Closing balance			
Book value			
Closing book value	88,882	898	89,780
Opening book value	89,899	733	90,632

Notes to the Interim Condensed Consolidated Financial Information (Continued)

5. 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	115,000	115,000
Pledged borrowings	50,000	30,000
Guaranteed borrowings	20,000	20,000
Credit borrowings	115,000	68,000
Total	300,000	233,000

8. Accounts payable

(1) Breakdown

Item	Closing balance RMB('000)	Closing balance of last year RMB('000)
Payables for materials	250,189	272,942
Payables for technology transfer	33,847	27,527
Payables for transportation	10,671	8,801
Payables for electricity and others	6,892	7,597
Total	301,599	316,867

(2) Ageing analysis

Ageing	Closing balance RMB('000)	Closing balance of last year RMB('000)
Within 1 year	234,825	251,332
Over 1 year	66,774	65,535
Sub-total	301,599	316,867

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		70,000
Long-term payables due within one year	23,981	23,308
Lease liabilities due within one year	585	572
Total	24,566	93,880

Notes to the Interim Condensed Consolidated Financial Information (Continued)

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

10. Long-term borrowings

Item	Closing balance RMB('000)	Closing balance of last year RMB('000)
Collateralised borrowings	34,000	
Credit borrowings	50,000	
Total	84,000	

(II) Notes to the Consolidated Income Statement

1. Operating Revenue/Operating cost

(1) Breakdown

Item	Amount for the period		Amount for the same period of last year	
	Revenue RMB('000)	Cost RMB('000)	Revenue RMB('000) (Restated)	Cost RMB('000) (Restated)
Revenue from principal business	579,764	379,544	566,640	360,676
Other operating revenue	14,657	12,239	8,174	5,806
Total	594,421	391,783	574,814	366,482

(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) (Restated)	Cost RMB('000) (Restated)
Rail fastening system	449,810	272,020	440,806	255,995
Flux cored wire	101,035	89,807	96,906	85,761
Railway sleepers	28,919	17,717	28,928	18,920
Others	14,657	12,239	8,174	5,806
Sub-total	594,421	391,783	574,814	366,482

Notes to the Interim Condensed Consolidated Financial Information (Continued)

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**(II) Notes to the Consolidated Income Statement** (Continued)

2. Finance costs

Item	Amount for the period RMB('000)	Amount for the same period of last year RMB('000)
Interest expense	7,949	7,465
Less: Interest income	1,017	1,616
Combined profit or loss	91	(665)
Handling charges and other expenses	240	89
Total	7,263	5,273

3. Loss on credit impairment

Item	Amount for the period RMB('000)	Amount for the same period of last year RMB('000) (Restated)
Loss on bad debts	(5,445)	(943)
Total	(5,445)	(943)

Notes to the Interim Condensed Consolidated Financial Information (Continued)

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**(II) Notes to the Consolidated Income Statement** (Continued)4. *Impairment loss of assets*

Item	Amount for the period RMB('000)	Amount for the same period of last year RMB('000) (Restated)
Impairment loss of contract assets	(760)	402
Impairment loss of inventories	(91)	(3,609)
Total	(851)	(3,207)

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	16,502	21,590
Deferred income tax expenses	(3,772)	(830)
Total	12,730	20,760

6. 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 on 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, as a result of which its credit risks are low.

Notes to the Interim Condensed Consolidated Financial Information (Continued)

6. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (Continued)**(I) Credit Risk** (Continued)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, generally, no collateral is required. Concentration of credit risk is managed by customers. As of 30 June 2021, the Company had certain concentration of credit risk as 38.94% (31 December 2020: 44.11%) of the Company's accounts receivable were due from the five largest customers in terms of balances. The Company held collaterals over the balance of certain accounts receivable.

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

(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	Closing balance				
	Book value RMB('000)	Undiscounted contractual amount RMB('000)	Within 1 year RMB('000)	1 to 3 years RMB('000)	Over 3 years RMB('000)
Bank borrowings	384,000	397,180	309,190	87,990	
Bills payable	98,600	98,600	98,600		
Accounts payable	301,599	301,599	301,599		
Other payables	20,011	20,011	20,011		
Long-term payables and long-term payables due within one year	36,492	38,161	25,441	12,720	
Lease liabilities and lease liabilities due within one year	1,198	1,284	642	642	
Sub-total	841,900	856,835	755,483	101,352	

Notes to the Interim Condensed Consolidated Financial Information (Continued)

6. 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	303,000	311,236	311,236		
Bills payable	53,000	53,000	53,000		
Accounts payable	316,867	316,867	316,867		
Other payables	24,921	24,921	24,921		
Long-term payables and long-term payables due within one year	47,980	50,881	25,440	25,441	
Lease liabilities and lease liabilities due within one year	1,798	1,926	642	1,284	
Sub-total	747,566	758,831	732,106	26,725	

(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 mainly to the Company's borrowings with floating interest rate.

As of 30 June 2021, the Company's borrowings with interest accrued at floating interest rate totaled RMB34,000,000 (31 December 2020: RMB70,000,000). 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 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 (Continued)

7. 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	58,523			58,523
(1) Financial assets at fair value through profit or loss for the period	58,523			58,523
Equity instruments investment – equity interests of Hong Kong listed companies	58,523			58,523
Equity instruments investment – equity interests of unlisted companies				
Wealth investment products				
2. Financing of receivables			1,921	1,921
3. Other equity instruments investment			8,321	8,321
Total assets measured at fair value on a recurring basis	58,523		10,242	68,765

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	80,806		10,505	91,311
(1) Financial assets at fair value through profit or loss for the period	80,806		10,505	91,311
Equity instruments investment – equity interests of Hong Kong listed companies	80,806			80,806
Equity instruments investment – equity interests of unlisted companies			10,000	10,000
Wealth investment products			505	505
2. Financing of receivables			18,984	18,984
Total assets measured at fair value on a recurring basis	80,806		29,489	110,295

Notes to the Interim Condensed Consolidated Financial Information (Continued)

8. RELATED PARTIES AND RELATED PARTY TRANSACTIONS**(I) Related Parties**

1. 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

2. 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

(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	53,821	87,528
Total		53,821	87,528

(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	3,355	4,034
Hebei Tieke Yichen New Material Technology Co., Ltd.	Provision of labour services	37	
Hebei Tieke Yichen New Material Technology Co., Ltd.	Sales of goods	1,158	110
Total		4,550	4,144

Notes to the Interim Condensed Consolidated Financial Information (Continued)

8. 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	Depreciation charge recognised for the period RMB('000)	Depreciation charge recognised for the same period of last year RMB('000)
Shijiazhuang City Gaocheng District Longji Corporate Management Co., Ltd.	Building	299	299

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 Xiaosuo, Zhang Xiaogeng, Zhang Libin, Zhang Lifeng, Zhang Haijun, Zhang Junxia	70,000	24 December 2019	24 December 2022	Secured by guarantee	No
Zhang Haijun, Zhou Qiuju	50,000	26 August 2020	26 August 2021	Secured by guarantee	No
Zhang Haijun, Zhou Qiuju	60,000	24 September 2020	24 September 2021	Secured by guarantee	No
Zhang Haijun, Zhou Qiuju	2,625	23 June 2021	17 September 2021	Secured by guarantee	No
Zhang Haijun, Zhou Qiuju	5,963	20 May 2021	20 July 2021	Secured by guarantee	No
Zhang Haijun, Zhou Qiuju	5,311	20 May 2021	20 July 2021	Secured by guarantee	No
Zhang Haijun, Zhou Qiuju	6,102	18 June 2021	17 September 2021	Secured by guarantee	No
Zhang Lifeng, Yang Yunjuan	5,000	7 June 2021	7 June 2022	Secured by guarantee	No

4. *Compensation to key management personnel*

Item	Amount for the period RMB('000)	Amount for the same period of last year RMB('000)
Compensation to key management personnel	1,457	1,395

Notes to the Interim Condensed Consolidated Financial Information (Continued)

8. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)**(III) Amount Due from/to Related Parties**

1. Amount due from related parties

Name of item	Related party	Closing balance		Closing balance of last year	
		Book balance RMB('000)	Provision for bad debts RMB('000)	Book balance RMB('000)	Provision for bad debts RMB('000)
Accounts receivable	Hebei Tieke Yichen New Material Technology Co., Ltd.	5,718	377	618	12
Subtotal		5,718	377	618	12

2. Amount due to related parties

Name of item	Related party	Closing balance RMB('000)	Closing balance of last year RMB('000)
Bills payable	Hebei Tieke Yichen New Material Technology Co., Ltd.	53,000	43,000
Sub-total		53,000	43,000
Accounts payable	Hebei Tieke Yichen New Material Technology Co., Ltd.	88,084	61,449
Sub-total		88,084	61,449
Non-current liabilities due within one year	Shijiazhuang City Gaocheng District Longji Corporate Management Co., Ltd.	585	572
Sub-total		585	572
Lease liabilities	Shijiazhuang City Gaocheng District Longji Corporate Management Co., Ltd.	613	1,226
Sub-total		613	1,226

Notes to the Interim Condensed Consolidated Financial Information (Continued)

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

Lease contracts signed that are under implementation or to be implemented and their financial impact

Lessors	Lease location	Lease area (sqm)	Lease term	Annual rental RMB('000)
Shijiazhuang City Gaocheng District Longji Corporate Management Co., Ltd	No. 1 Yichen North Street, Gaocheng District, Shijiazhuang City	3,151.62	From 1 January 2021 to 31 December 2023	700

(II) Contingencies

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 RMB84,500 and legal fees of RMB80,000. On 23 September 2020, the arbitration application was amended, which required the payment of RMB2.49 million for loans under the contract, the overdue interest, and legal fees of RMB80,000. The arbitration is still in progress, with a verdict yet to be issued.

10. EVENTS AFTER THE BALANCE SHEET DATE

As of the date of approving the publication of these financial statements, the Company had no significant events after the balance sheet date.

* For identification purpose only

Notes to the Interim Condensed Consolidated Financial Information (Continued)

11. OTHER SIGNIFICANT EVENTS**(I) Correction on Prior Accounting Errors***Retrospective restatement method*

Contents of amendments to accounting errors	Handling procedures	Affected statement items for each comparative period	Impact on income statement for the six months ended 30 June 2020 RMB('000)
In line with the new revenue principle and its application guidelines, transportation cost and cargo agency fees have been adjusted from selling expenses to operating cost	This error had been considered and approved by the Board of the Company, and was corrected by adopting retrospective restatement method for the current period	Operating cost Selling expenses	11,581 -11,581

(II) Segment Information

The major business of the Company is the manufacturing and sales of rail fastening system, flux cored 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 operating revenue and operating cost by products are set out in Note 5(II)1 to these financial statements.

12. 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	0.10	0.10
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	0.14	0.14

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

In the first half of 2021, the novel coronavirus (COVID-19) epidemic (the “**Epidemic**”) continued raging all over the world, while China has gradually stepped out from the shadow of the Epidemic with its business activities delivering positive results. According to the economic data released by the State Statistics Bureau of China, the GDP growth in China during the first half of the year reached 12.7% as the economy continued to stably recover and development quality steadily improved.

In the first half of 2021, railway construction developed steadily and healthily towards the established objectives. The fixed asset investments in national railways accumulated to RMB298.949 billion, representing a year-on-year decrease of 8.26%. In terms of single-month investment, the amount of investment in each month in the first quarter showed a continuous upward trend with year-on-year growth rates of investment reaching 19.77%, 34.26% and 37.43%, respectively. In the second quarter, the growth rates in each month all turned out to be negative, with year-on-year growth rates reaching -16.81%, -40.43% and -8.70%, respectively.

During the period, a number of key construction projects of China’s railway construction have achieved good progress, including Sichuan-Tibet Railway (Lhasa to Linzhi Section), Yuxi-Mohan Railway, and Dali-Lincang Railway, etc. The constructions of foundation, tunnel and road works for those projects had basically been completed, and the raiing work was underway which is planned to be completed in 2021. The railway transit network and high-speed rail passenger transit network will soon be completed, upon which, transportation efficiency will be enhanced and the logistics cost will be reduced. It will also lead to the formation of urban economic zones and optimisation of regional population and talent deployment efficiency, making positive contribution to regional economic development and poverty alleviation.

According to the Overview of Urban Rail Transit Lines in Mainland China for the First Half of 2021 (《2021年上半年中國內地城軌交通線路概況》) released by the China Association of Metros, as at 30 June 2021, a total length of 8,448.67 km of urban rail transit lines were under operation across a total of 49 cities in mainland China. In the first half of 2021, there were 4 more cities with urban transit under operation, while another 14 cities operated new lines or new sections, with the length of new operating lines reaching 478.97 km in total, and 22 lines newly added or extended. The China Association of Metros anticipates that urban transit will be put into operation in one more city in the second half of 2021, making a length of approximately 700 km newly added to the line under operation. During the period, the Group proactively captured these opportunities by actively participating in the construction of high-speed rail, heavy-haul rail and urban rail transit in various regions, in order to safeguard a secure, stable and efficient operation of railways by providing high-quality products and services.



Management Discussion and Analysis

RESPONSE TO THE EPIDEMIC

The first half of 2021 saw repeated relapse of the Epidemic. At the beginning of the year, the epidemic broke out in Shijiazhuang, Hebei Province, with Gaocheng District, where the Group is located, being the core area of the Epidemic. In late July, following its emergence at Nanjing Lukou Airport, the Delta variant quickly spread across Nanjing City and Jiangsu Province at large, spawning an expansionary trend of the Epidemic in China. Facing the grim challenges, the Group 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 ensuring the safety and health of its staff as the top priority. The Group strengthened the prevention and control throughout the chain and suspended work and production promptly, in order to contain the possible occurrence and spread of the Epidemic to the greatest extent. After resuming work and production, the Group continued to take rigorous preventive measures, arranging comprehensive disinfection in production and office areas, actively promoting the importance of Epidemic prevention and stimulating the staff's motivation and alertness in preventing the Epidemic, so as to fully protect the health of the staff and consolidate the internal defensive line of the enterprise. The Group actively communicated with its customers and suppliers, assessed the impact of the Epidemic on its suppliers, customer demand and the market, and timely adjusted its production and operation plans, so as to effectively control the impact of the Epidemic on the operation of the enterprise.

BUSINESS REVIEW

In the first half of 2021, uncertainties and downward pressure were added to the growth of global economy. Benefited from effective anti-Epidemic measures, China's economy and production activities have been generally recovered. The impact of the Epidemic on the business of the Group is relatively controllable as the principal business of the Group operates in the domestic market. During the period, despite the various uncontrollable factors caused by the Epidemic, the Group responded prudently and analysed the situation by continuously monitoring the development of the Epidemic and strictly formulating prevention and control measures, so as to safeguard the normal and stable operation of the Group and the personal safety of all staff, upholding its diversified business layout and realising the steady growth of revenue of the Group.

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) flux cored wire products; and (3) railway sleeper products. For the six months ended 30 June 2021, the total revenue of the Group amounted to approximately RMB594.4 million, representing a year-on-year increase of approximately 3.4% (restated).

Management Discussion and Analysis

Rail Fastening System Products

For the six months ended 30 June 2021, the revenue from rail fastening system products amounted to approximately RMB449.8 million, representing approximately 75.7% of the Group's total revenue and an increase of approximately 2.0% over the revenue of approximately RMB440.8 million (restated) from this segment in the same period of last year. This was mainly attributable to the growing sales volume of rail fastening products during the period under review.

For the period under review, the cost of sales relating to rail fastening system products increased by approximately 6.3% from approximately RMB256.0 million (restated) for the first half of 2020 to approximately RMB272.0 million for the same period of 2021. The change in cost was mainly attributable to the growing sales volume of rail fastening system products during the period under review.

During the period, the gross profit of rail fastening system products amounted to approximately RMB177.8 million, representing a decrease of approximately 3.8% compared with the gross profit of approximately RMB184.8 million (restated) for the same period of last year. The gross profit margin of rail fastening system products decreased from approximately 41.9% (restated) for the first half of 2020 to approximately 39.5% for the first half of 2021.

As at 30 June 2021, the Group's initial value of entering into agreements on supplying rail fastening systems amounted to approximately RMB514.01 million (RMB514.37 million if intra-group transactions are accounted for). The initial value of entering into agreements on high-speed rail fastening systems amounted to approximately RMB264.55 million, representing a decrease of approximately 28.47% compared with the same period of last year; the initial value of entering into agreements on heavy-haul rail fastening systems amounted to approximately RMB110.27 million; the initial value of entering into agreements on urban transit fastening systems amounted to approximately RMB57.65 million; and the initial value of entering into agreements on normal speed rail fastening systems was approximately RMB81.53 million (RMB81.89 million if intra-group transactions are accounted for). As at 30 June 2021, the backlog of the Group amounted to approximately RMB1,110.77 million (value-added tax included).

Flux Cored Wire Products

For the six months ended 30 June 2021, the revenue from flux cored wire products amounted to approximately RMB101.0 million, accounting for approximately 17.0% of total revenue of the Group. Compared to the revenue of approximately RMB96.9 million (restated) for the first half of 2020, the increase in revenue was mainly attributable to the growing market demand for flux cored wire over the first half of 2021.

The Group's revenue from flux cored 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 2021, the revenue from railway sleeper products was approximately RMB28.9 million, accounting for approximately 4.9% of the Group's total revenue, while the revenue from railway sleeper remained the same as compared with the same period of 2020.

FUTURE PROSPECTS

This year marks the beginning of the "14th Five-Year Plan". It is also a year to accelerate the building up of a strong nation of transit system. The Draft of Outline for the 14th Five-Year Plan for National Economic and Social Development and the Vision and Objectives through the Year 2035 《國民經濟和社會發展第十四個五年規劃和2035年遠景目標綱要(草案)》 proposes the acceleration of building up China into a nation with strong transit network. It advocates the need to speed up the construction of a strong transit nation during the "14th Five-Year" period by enhancing and integrating the major transportation access, integrating transit hubs and logistics networks, as well as stepping up the construction of rail transit networks between urban communities and metropolitan areas.



Management Discussion and Analysis

The National Comprehensive Three-Dimensional Transit Network Planning Outline 《國家綜合立體交通網規劃綱要》 (the “**Outline**”) was published by the CCP Central government and the State Council in February 2021, which stated that the total length of the physical line of the national comprehensive three-dimensional transit network will reach approximately 700,000 km by 2035, of which the railway will account for approximately 200,000 km. The implementation of the proposals mentioned in the Outline will further accelerate building up China into a nation with strong transit network, establishing a modern, high-quality national comprehensive three-dimensional transit network, so as to support the modernisation of the economic system and the construction of socialist modernisation for a strong nation.

The Opinions on Further Improving the Planning and Construction of Railways 《關於進一步做好鐵路規劃建設工作的意見》 (the “**Opinions**”) was published by the State Council in March 2021, which stated that railway planning and construction shall be implemented in a scientific and orderly manner, with the theme of promoting high quality development, focusing on deepening the structural reform on supply side. By 2035, the layout structure of railway network should have been further improved, such that the debt scale and liability level for railway should have been controlled within a reasonable range, preparing to build up China as a strong nation of transit and providing solid support for constructing a modern socialistic nation in a comprehensive manner. Meanwhile, the Opinions stressed that all regions should strengthen the connection on planning, synergies on policy and resource coordination as well as enhancing the linkage and coordination, so as to achieve cooperation and jointly promote high-quality railway development.

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.

PERFORMANCE ANALYSIS AND DISCUSSION

Revenue

The Group’s business operations mainly comprise research and development, manufacturing and sales of rail fastening system products, flux cored 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 RMB594.4 million in the first half of 2021 from approximately RMB574.8 million (restated) in the first half of 2020, mainly attributable to the increase in revenue of rail fastening system products and railway sleeper products.

Revenue related to rail fastening system products increased by approximately 2.0% to approximately RMB449.8 million in the first half of 2021 from approximately RMB440.8 million (restated) in the first half of 2020, mainly attributable to the increase in sales volume of rail fastening system products.

Management Discussion and Analysis

Revenue related to flux cored wire products increased by approximately 4.2% from approximately RMB96.9 million (restated) in the first half of 2020 to approximately RMB101.0 million in the same period of 2021, mainly attributable to the higher market demand for flux cored wire during the first half of 2021.

Revenue related to railway sleeper products amounted to RMB28.9 million for the first half of 2021, which remained unchanged from the first half of 2020.

Apart from the revenue generated from selling rail fastening system products, flux cored 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 6.9% to approximately RMB391.8 million in the first half of 2021 from approximately RMB366.5 million (restated) in the first half of 2020, which was mainly attributable to the increase in product revenue, and the increase in operating cost accordingly.

Cost of sales related to rail fastening system products increased by approximately 6.3% to approximately RMB272.0 million in the first half of 2021 from approximately RMB256.0 million (restated) in the same period of 2020, which was mainly attributable to the increase in the revenue of rail fastening system products, and the increase in operating cost accordingly.

Cost of sales related to flux cored wire products increased by approximately 4.7% to approximately RMB89.8 million in the first half of 2021 from approximately RMB85.8 million (restated) in the same period of 2020, which was mainly attributable to the increase in the sales revenue of flux cored wire products which led to higher operating cost.

Cost of sales related to railway sleeper products decreased by approximately 6.3% to approximately RMB17.7 million in the first half of 2021 from approximately RMB18.9 million (restated) in the same period of 2020, which was mainly attributable to the different types of railway sleeper products sold.

Gross Profit

Based on the aforesaid reasons, the Group recorded a gross profit of approximately RMB202.6 million from January to June 2021, representing a decrease of approximately 2.7% from the gross profit of approximately RMB208.3 million (restated) recorded for the same period of 2020, 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 3.8% from approximately RMB184.8 million (restated) in the first half of 2020 to approximately RMB177.8 million in the same period of 2021. Gross profit margin of rail fastening system products decreased to approximately 39.5% in the first half of 2021 from approximately 41.9% (restated) in the first half of 2020, which was mainly attributable to the increase in the price of raw materials.

Gross profit of flux cored wire products increased by approximately 0.9% to approximately RMB11.2 million in the first half of 2021 from approximately RMB11.1 million (restated) in the same period of 2020. Gross margin of approximately 11.5% (restated) in the first half of 2020 remained similar level of approximately 11.1% in the first half of 2021.

Gross profit of railway sleeper products increased by approximately 12.0% to approximately RMB11.2 million in the first half of 2021 from approximately RMB10.0 million (restated) in the first half of 2020. Gross profit margin increased to approximately 38.8% in the first half of 2021 from approximately 34.6% (restated) in the first half of 2020, which was mainly attributable to the different types of railway sleeper products sold.



Management Discussion and Analysis

Selling Expenses

Selling expenses of the Group increased to approximately RMB12.3 million for January to June 2021 from approximately RMB8.2 million (restated) for January to June 2020. For the six months ended 30 June 2020 and 30 June 2021, selling expenses accounted for approximately 1.4% (restated) and approximately 2.1%, respectively as a percentage of total revenue. The increase in selling expenses was mainly attributable to the increase in the product inspection and certification fees.

Management Expenses

Management expenses of the Group increased to approximately RMB35.5 million for January to June 2021 from approximately RMB33.6 million for January to June 2020. The increase in management expenses was mainly attributable to the loss on work suspension resulted from the COVID-19 Epidemic.

Income from Investments in Associates

From January to June 2021, the Group's share of investment profits of an associate amounted to approximately RMB11.5 million, representing a decrease of approximately RMB6.3 million as compared with the same period of 2020, which was mainly attributable to the decrease in net profit of the Group and the associate.

Net Finance Costs

For the first half of 2021, the Group incurred net finance cost totaling RMB7.3 million, as compared to net finance cost totaling RMB5.3 million incurred in the first half of 2020. The increase in net finance costs was mainly attributable to the decrease in exchange gain and loss and the decrease in interest income.

Operating Profits

Based on the aforesaid reasons, the Group recorded operating profits of approximately RMB102.5 million from January to June 2021, representing a decrease of approximately 32.3% from approximately RMB151.3 million in the same period of 2020, which was mainly attributable to the increase in operating cost, and the decrease in the gain and loss from changes in fair value.

Income Tax

Income tax expense of the Group decreased to approximately RMB12.7 million for January to June 2021 from approximately RMB20.8 million for January to June 2020, which was mainly attributable to a decrease in total profits.

Net Profit

Based on the aforesaid reasons, net profit decreased by approximately 30.1% to approximately RMB89.6 million for the period ended 30 June 2021 from approximately RMB128.2 million for the period ended 30 June 2020, which was mainly attributable to increase in operating cost, and the decrease in gain or loss from changes in fair value.

From January to June 2021, the Group's net profit attributable to owners of the parent company amounted to approximately RMB88.9 million, representing a decrease of approximately 29.8% from approximately RMB126.6 million for the same period of 2020. For the first half of 2021, basic earnings per share amounted to RMB0.10, representing a decrease in the basic earnings of RMB0.14 per share for the same period of 2020, which was mainly due to the decrease in net profit of the Group in the first half of 2021.

Total Assets

As at 30 June 2021, the total assets of the Group were approximately RMB3,078.8 million, representing an increase by approximately 6.2% from approximately RMB2,898.0 million as at 31 December 2020, which was mainly due to increase in monetary capital and accounts receivable.

Total Liabilities

As at 30 June 2021, the total liabilities of the Group were approximately RMB876.8 million, representing an increase by approximately 11.6% from approximately RMB785.6 million as at 31 December 2020, which was mainly attributable to the increase in bank borrowings.

Management Discussion and Analysis

Total Equity

As at 30 June 2021, the total equity of the Group was approximately RMB2,202.0 million, representing an increase of approximately RMB89.6 million from that as at 31 December 2020, 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 2021, the Group’s gearing ratio was 8.8%, representing a decrease of 0.5 percentage points as compared to 9.3% as at 31 December 2020, which was mainly attributable to the increase in total equity.

EMPLOYEE AND REMUNERATION POLICIES

As at 30 June 2021, the Group incurred total staff costs of approximately RMB47.5 million for 1,350 employees (as at 30 June 2020: 1,318 employees), representing an increase of approximately RMB2.2 million or approximately 4.9% as compared to the same period of 2020, which was mainly attributable to (i) the increase in the number of employees of the Group; (ii) the concession on social insurance expenses of the Company due to the impact of the Epidemic during the same period last year.

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.

OTHER MATTERS

Proposed A Share Offering and Listing

As disclosed in the announcement of the Company dated 30 December 2020, the Company has submitted the application documents in connection with the proposed A share offering and listing, including the A share prospectus (application proof), to the Shenzhen Stock Exchange, and has received a notice issued by the Shenzhen Stock Exchange on 30 December 2020 in respect of the acceptance of the application documents for the proposed A share offering and listing submitted by the Company. As at the date of this interim report, the proposed A share offering and listing of the Company is still in the review process.

REVIEW OF THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

The interim condensed consolidated financial information in the interim results announcement was reviewed and approved by the Audit Committee of the Board and the Board for issue. The Board engaged an auditor to conduct an independent review of the interim consolidated financial information of the Group for the reporting period. After independent review by the auditor, the following adjustments has been made to the interim consolidated financial information of the Group for the reporting period, in comparison with that disclosed in the interim results announcement:

Adjustments made after the review	Affected note items in the current period	Impact on the income statement for the six months ended 30 June 2021 RMB('000)
Loss from payment of salary to employees during suspension of work due to the Epidemic was adjusted from operating cost to management expenses	Operating cost	(1,758)
	Management expenses	1,758
The Company’s sales of hot-rolled hole rail products was adjusted from revenue from principal business and cost of principal business to other operating revenue and other operating cost, as hot-rolled hole rail products are not included in railway sleeper products, which are the Company’s principal business	Revenue from principal business	(8,007)
	Other operating revenue	8,007
	Cost of principal business	(7,132)
	Other operating cost	7,132



OTHER INFORMATION

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

As at 30 June 2021, so far as known to the directors of the Company (the “**Directors**”), the interests and short positions of the Directors, supervisors of the Company (the “**Supervisors**”) and the chief executive of the Company in the Shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “**SFO**”)) (a) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) which are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or which (c) which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code (including those they are taken or deemed to have under such provisions of the SFO) are as follows:

Long positions in the Domestic Shares of the Company:

Name	Capacity	Personal interest	Interest of spouse	Number of Shares		Approximate percentage of shareholding in the relevant class of Shares (%) (Note 2)	Total approximate percentage of shareholding in the total share capital of the Company (%) (Note 3)
				Deemed interest pursuant to Section 317 of the SFO (Note 1)	Total number		
Mr. Zhang Haijun (張海軍)	Director	128,426,480	N/A	444,426,294	572,852,774	85.07	63.80
Mr. Zhang Lifeng (張力峰)	Chief Executive Officer	16,643,140	N/A	556,209,634	572,852,774	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
Ms. Fan Xiulan (樊秀蘭)	Director	923,132	N/A	N/A	923,132	0.14	0.10

Notes:

- (1) The relevant parties are members of 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 the 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 2021, 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 2021, 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	83,873,136		
		Deemed interest pursuant to Section 317 of the SFO	488,979,638		
			572,852,774	85.07%	63.80%
Ms. Zhang Xiaoxia (張小霞) (Note 5)	Domestic Shares	Interest of spouse	572,852,774	85.07%	63.80%
Mr. Zhang Xiaogeng (張小更) (Note 1)	Domestic Shares	Beneficial owner	83,477,508		
		Deemed interest pursuant to Section 317 of the SFO	489,375,266		
			572,852,774	85.07%	63.80%
Ms. Liu Jiao (劉姣) (Note 6)	Domestic Shares	Interest of spouse	572,852,774	85.07%	63.80%
Mr. Zhang Xiaosuo (張小鎖) (Note 1)	Domestic Shares	Beneficial owner	83,675,322		
		Deemed interest pursuant to Section 317 of the SFO	489,177,452		
			572,852,774	85.07%	63.80%



Other Information

Name	Class of Shares	Capacity/nature of interest	Number of Shares	Approximate percentage of shareholding in the relevant class of Shares (%) (Note 2)	Total approximate percentage of shareholding in the total share capital of the Company (%) (Note 3)
Ms. Sun Shujing (孫書京) (Note 7)	Domestic Shares	Interest of spouse	572,852,774	85.07%	63.80%
Ms. Zhang Xiaoxia (張曉霞) (Note 8)	Domestic Shares	Interest of spouse	572,852,774	85.07%	63.80%
Mr. Zhang Ligang (張立剛) (Note 1)	Domestic Shares	Beneficial owner	26,355,534		
		Deemed interest pursuant to Section 317 of the SFO	546,497,240		
			572,582,774	85.07%	63.80%
Ms. Zhai Junping (翟軍平) (Note 9)	Domestic Shares	Interest of spouse	572,852,774	85.07%	63.80%
Ms. Zhang Weihuan (張偉環) (Note 10)	Domestic Shares	Interest of spouse	572,852,774	85.07%	63.80%
Mr. Zhang Lijie (張力杰) (Note 1)	Domestic Shares	Beneficial owner	17,202,679		
		Deemed interest pursuant to Section 317 of the SFO	555,650,095		
			572,852,774	85.07%	63.80%
Ms. Liu Lixia (劉麗霞) (Note 11)	Domestic Shares	Interest of spouse	572,852,774	85.07%	63.80%
Ms. Yang Yunjuan (楊雲娟) (Note 12)	Domestic Shares	Interest of spouse	572,852,774	85.07%	63.80%
Ms. Zhang Yanfeng (張艷峰) (Note 1)	Domestic Shares	Beneficial owner	17,207,647		
		Deemed interest pursuant to Section 317 of the SFO	555,645,127		
			572,852,774	85.07%	63.80%

Other Information

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



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%
North Ocean (Hong Kong) Holdings Ltd.	H Shares	Beneficial owner	16,666,000	7.42%	1.86%

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)
Hebei Publishing and Media Group Co., Ltd. (河北出版傳媒集團有限責任公司) (Note 19)	H Shares	Interest in controlled corporation	16,666,000	7.42%	1.86%
The Leading Group Office of Supervision and Management of State-owned Assets of Provincial Culture Enterprise in Hebei Province (河北省省級文化企業國有資產監督管理領導小組辦公室) (Note 19)	H Shares	Interest in controlled corporation	16,666,000	7.42%	1.86%
Beijing Infrastructure Investment (Hong Kong) Limited	H Shares	Beneficial owner	38,102,000	16.97%	4.24%
Beijing Infrastructure Investment Co., Ltd. (Note 20)	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 21)	H Shares	Interest in controlled corporation	20,300,000	9.04%	2.26%



Other Information

Notes:

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



Other Information

- (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.
- (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) 70% equity interest of North Ocean (Hong Kong) Holding Ltd. is controlled by Hebei Publishing and Media Group Co., Ltd., which is wholly owned by The Leading Group Office of Supervision and Management of State-owned Assets of Provincial Culture Enterprise in Hebei Province. Under the SFO, The Leading Group Office of Supervision and Management of State-owned Assets of Provincial Culture Enterprise in Hebei Province and Hebei Publishing and Media Group Co., Ltd. are deemed to be interested in the H Shares beneficially owned by North Ocean (Hong Kong) Holdings Ltd.
- (20) 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.
- (21) 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 2021, 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 DIRECTOR

The changes in the information of a Director 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 director of Shougang Jingtang Iron & Steel United Co., Ltd.* (首鋼京唐鋼鐵聯合有限公司) in April 2021 and became a director of Beijing Zhongguancun Microcredit Co., Ltd.* (北京市中關村小額貸款股份有限公司) in June 2021. Ms. Gu was appointed a non-executive director of BII Railway Transportation Technology Holdings Company Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1522), on 5 July 2021.

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

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 2021.

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 2021 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 2021.

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 2021 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" contained in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2021.

* For identification purpose only



Other Information

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 2021, each of them had fully complied with the required standards set out in the “Model Code for Securities Transactions by Directors of Listed Issuers”.

INDEPENDENT NON-EXECUTIVE DIRECTORS

During the six months ended 30 June 2021, 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; and (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.

By order of the Board

Hebei Yichen Industrial Group Corporation Limited*

ZHANG Haijun

Chairman

Shijiazhuang, the PRC

16 September 2021

* For identification purpose only