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## **Hebei Yichen Industrial Group Corporation Limited\***

**河北翼辰實業集團股份有限公司**

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

**(Stock Code: 1596)**

### **ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2021**

#### **FINANCIAL HIGHLIGHTS**

- Operating revenue amounted to approximately RMB1,363.6 million, representing an increase of approximately 19.4% compared with that of 2020.
- Gross profit amounted to approximately RMB416.0 million, representing an increase of approximately 2.6% compared with that of 2020.
- Total profit amounted to approximately RMB284.5 million, representing a decrease of approximately 4.0% compared with that of 2020.
- Net profit attributable to owners of the parent amounted to approximately RMB246.1 million, representing a decrease of approximately 2.4% compared with that of 2020; total comprehensive income for 2021 amounted to approximately RMB248.5 million, representing a decrease of approximately 3.3% compared with that of 2020.
- For the year ended 31 December 2021, the basic and diluted earnings per share amounted to approximately RMB0.27.

#### **FINAL DIVIDEND**

- The board of directors has proposed a final dividend of RMB0.0553 per share (tax inclusive) for the year ended 31 December 2021, with an aggregate amount of RMB49,650,552.

\* For identification purposes only

## FINANCIAL RESULTS

The board of directors (the “**Board**”) of Hebei Yichen Industrial Group Corporation Limited (the “**Company**”) is pleased to announce the consolidated results of the Company and its subsidiaries (the “**Group**”, “**we**” or “**us**”) for the year ended 31 December 2021 (the “**year under review**”), together with comparative figures for the year ended 31 December 2020 as follows:

### CONSOLIDATED INCOME STATEMENT

*For the year ended 31 December 2021*

	<i>Notes</i>	<b>For the 12 months ended</b>	
		<b>2021</b>	<b>2020</b>
		<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
I. Total operating revenue	5	<b>1,363,645</b>	1,142,058
II. Total operating cost	5	<b>1,121,257</b>	890,665
Including: Operating cost		<b>947,636</b>	736,634
Taxes and surcharges		<b>9,411</b>	8,117
Selling expenses		<b>21,260</b>	18,824
Management expenses		<b>84,417</b>	69,994
Research and development expense		<b>44,637</b>	42,346
Finance costs		<b>13,896</b>	14,750
Including: Interest costs		<b>15,811</b>	14,620
Interest income		<b>2,693</b>	3,028
Add: Other income		<b>872</b>	1,438
Investment gains		<b>34,071</b>	30,204
Including: Gains on investments in associates and joint ventures		<b>31,957</b>	30,521
Gain from change in fair value		<b>21,766</b>	29,242
Loss on credit impairment		<b>(3,845)</b>	(8,968)
Impairment loss of assets		<b>(10,105)</b>	(4,254)
Gains on disposal of assets		<b>22</b>	110
III. Operating profits		<b>285,169</b>	299,165
Add: Non-operating incomes		<b>89</b>	288
Less: Non-operating expenses		<b>777</b>	3,073
IV. Total profit		<b>284,481</b>	296,380
Less: Income tax expenses	6	<b>36,005</b>	39,342

**CONSOLIDATED INCOME STATEMENT (Continued)***For the year ended 31 December 2021*

		<b>For the 12 months ended</b>	
		<b>31 December</b>	
		<b>2021</b>	<b>2020</b>
	<i>Notes</i>	<b>RMB'000</b>	<b>RMB'000</b>
V. Net profit		<b>248,476</b>	257,038
(I) Classified according to continuity:			
1. Net profit from continuing operations		<b>248,476</b>	257,038
2. Net profit from discontinued operations			
(II) Classified according to equity holdings:			
1. Net profit attributable to owners of the parent		<b>246,088</b>	252,233
2. Profit and loss of minority interests		<b>2,388</b>	4,805
VI. Total other comprehensive income		<b>248,476</b>	257,038
Total comprehensive income attributable to owners of the parent		<b>246,088</b>	252,233
Total comprehensive income attributable to minority interests		<b>2,388</b>	4,805
VII. Earnings per share:			
Basic earnings per share (RMB)	7	<b>0.27</b>	0.28
Diluted earnings per share (RMB)		<b>0.27</b>	0.28

## CONSOLIDATED BALANCE SHEET

As at 31 December 2021

		31 December 2021	31 December 2020
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
Current assets:			
Monetary capital		157,303	238,069
Financial assets held for trading		106,879	91,311
Notes receivable	8	68,754	123,831
Accounts receivable	9	1,026,503	780,180
Financing of receivables		6,361	18,984
Prepayments		31,293	34,008
Other receivables		8,104	14,913
Inventories		449,963	396,225
Contract assets		59,359	80,458
Other current assets		11,068	16,429
		<hr/>	<hr/>
Total current assets		1,925,587	1,794,408
		<hr/>	<hr/>
Non-current assets:			
Long-term equity investments		206,272	182,343
Other equity instruments investment		8,321	–
Fixed assets		480,676	193,165
Construction in progress		251,980	412,307
Right-of-use assets		1,199	1,798
Intangible assets		144,552	90,632
Goodwill		102,739	102,739
Deferred income tax assets		24,540	25,217
Other non-current assets		76,116	95,419
		<hr/>	<hr/>
Total non-current assets		1,296,395	1,103,620
		<hr/>	<hr/>
Total assets		3,221,982	2,898,028
		<hr/>	<hr/>

**CONSOLIDATED BALANCE SHEET (Continued)***As at 31 December 2021*

		<b>31 December 2021</b>	31 December
	<i>Notes</i>	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Current liabilities			
Short-term borrowings		<b>58,714</b>	233,000
Notes payable	<i>10</i>	<b>86,938</b>	53,000
Accounts payable	<i>11</i>	<b>378,801</b>	316,867
Contract liabilities		<b>7,665</b>	12,098
Payroll payable		<b>8,810</b>	7,300
Tax payable		<b>18,343</b>	11,102
Other payables		<b>48,925</b>	24,921
Non-current liabilities due within one year		<b>25,271</b>	93,880
Other current liabilities		<b>2,167</b>	1,323
Total current liabilities		<b>635,634</b>	753,491
Non-current liabilities			
Long-term borrowings		<b>219,500</b>	–
Lease liabilities		<b>627</b>	1,226
Long-term payables		–	24,672
Deferred income		<b>4,945</b>	5,177
Deferred income tax liabilities		<b>394</b>	1,056
Total non-current liabilities		<b>225,466</b>	32,131
Total liabilities		<b>861,100</b>	785,622
Owner's equity			
Share capital		<b>448,920</b>	448,920
Capital reserve		<b>813,227</b>	813,227
Surplus reserve		<b>137,535</b>	115,160
Undistributed profits		<b>950,041</b>	726,328
Total equity attributable to owners of the parent		<b>2,349,723</b>	2,103,635
Minority interests		<b>11,159</b>	8,771
Total owner's equity		<b>2,360,882</b>	2,112,406
Total liabilities and owner's equity		<b>3,221,982</b>	2,898,028

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1 GENERAL INFORMATION

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

The Group is principally engaged in manufacturing and sales of rail fastening system products, flux cored wire products and railway sleeper products.

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

Unless otherwise stated, the financial information for the year ended 31 December 2021 is presented in Renminbi ("RMB") thousands.

The consolidated results for the year ended 31 December 2021 have not been audited by the auditors of the Company, but have been reviewed by the Audit Committee of the Company.

### 2 BASIS OF PREPARATION

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

### 3 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 reporting segments based on these reports.

The Group determines its business from a product perspective:

- Rail fastening system products: manufacturing and sales of rail fastening system products
- Flux cored wire products: manufacturing and sales of flux cored wire products
- Railway sleeper products: manufacturing and sales of railway sleeper products

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

The segment information for 2021 and 2020 is listed as follows:

Items	Rail fastening system		Flux cored wires	
	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000
Total revenue	1,006,705	830,648	241,893	221,931
Inter-segment revenue	—	—	—	—
Revenue from external customers	<u>1,006,705</u>	<u>830,648</u>	<u>241,893</u>	<u>221,931</u>
Total operating cost	<u>(643,124)</u>	<u>(484,897)</u>	<u>(229,258)</u>	<u>(196,805)</u>
Segment gross profit	<u>363,581</u>	<u>345,751</u>	<u>12,635</u>	<u>25,126</u>
<b>Other profit or loss disclosure:</b>				
Depreciation and amortisation	19,117	16,888	4,593	4,512
Provisions for/(reversal of) impairment of receivables	(1,212)	(8,967)	(540)	(180)
Impairment of inventories	(4,572)	(2,720)	(4,401)	(902)
Finance costs	—	—	—	—
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
			Others	
	Railway sleepers		2021	2020
	2021	2020	RMB'000	RMB'000
	RMB'000	RMB'000	RMB'000	RMB'000
Total revenue	90,453	68,087	24,594	21,392
Inter-segment revenue	—	—	—	—
Revenue from external customers	<u>90,453</u>	<u>68,087</u>	<u>24,594</u>	<u>21,392</u>
Total operating cost	<u>(56,648)</u>	<u>(40,229)</u>	<u>(18,606)</u>	<u>(14,703)</u>
Segment gross profit	<u>33,805</u>	<u>27,858</u>	<u>5,988</u>	<u>6,689</u>
<b>Other profit or loss disclosure:</b>				
Depreciation and amortisation	3,087	2,760	467	435
Provisions for/(reversal of) impairment of receivables	(2,720)	(707)	(20)	254
Impairment of inventories	(485)	—	—	—
Finance costs	—	—	13,896	14,750
	<u>—</u>	<u>—</u>	<u>13,896</u>	<u>14,750</u>

	<b>Total</b>	
	<b>2021</b>	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Total revenue	<b>1,363,645</b>	1,142,058
Inter-segment revenue	—	—
Revenue from external customers	<b>1,363,645</b>	1,142,058
Total operating cost	<b>(947,636)</b>	(736,634)
Segment gross profit	<b>416,009</b>	405,424
<b>Other profit and loss disclosure:</b>		
Depreciation and amortisation	<b>27,264</b>	24,595
Provisions for/(reversal of) impairment of receivables	<b>(4,492)</b>	(9,600)
Impairment of inventories	<b>(9,458)</b>	(3,622)
Finance Costs	<b>13,896</b>	14,750

## 5 OPERATING REVENUE/OPERATING COST

<b>Items</b>	<b>2021</b>		<b>2020</b>	
	<i>RMB'000</i>		<i>RMB'000</i>	
	<b>Revenue</b>	<b>Cost</b>	Revenue	Cost
Revenue from principal business	<b>1,339,051</b>	<b>929,030</b>	1,120,666	721,931
Other operating revenue	<b>24,594</b>	<b>18,606</b>	21,392	14,703
Total	<b>1,363,645</b>	<b>947,636</b>	1,142,058	736,634

## 6 INCOME TAX EXPENSES

<b>Items</b>	<b>2021</b>	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Income tax expenses for the period	<b>35,990</b>	37,057
Deferred income tax expenses	<b>15</b>	2,285
Total	<b>36,005</b>	39,342



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

<b>Items</b>	<b>2021</b> <b>RMB'000</b>	2020 <i>RMB'000</i>
Total profit	<b>284,481</b>	296,379
Income tax expenses calculated by the applicable tax rates of the parent	<b>42,672</b>	44,457
Effect of different tax rates applicable to subsidiaries	<b>789</b>	682
Effect of adjusting income tax from prior periods	–	–
Effect of profits and losses attributable to joint ventures and associates	<b>(4,794)</b>	(4,578)
Effect of non-taxable income	<b>(35)</b>	(35)
Effect of non-deductible costs, expenses and losses	<b>340</b>	595
Effect of utilising provisions for impairment of unrecognized deferred income tax assets in prior periods	–	–
Effect of deductible temporary differences or deductible losses of unrecognised deferred income tax assets during the period	<b>3</b>	46
Additional deduction on research and development expense	<b>(2,845)</b>	(1,491)
Additional deduction on salaries of disabled employees	<b>(93)</b>	(77)
Tax deduction on environmental-friendly equipment	<b>(32)</b>	(16)
Changes in opening balances of deferred income tax assets due to tax rate adjustments	–	47
Changes in opening balances of deferred income tax liabilities due to tax rate adjustments	–	(265)
Effect of utilising deductible losses of unrecognized deferred income tax assets in prior periods	–	(23)
Income tax expenses	<b>36,005</b>	39,342

## **7 EARNINGS PER SHARE**

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

<b>Items</b>	<b>2021</b> <b>RMB'000</b>	2020 <i>RMB'000</i>
Net profit attributable to owners of the parent of the Company	<b>246,088</b>	252,233
Weighted average number of ordinary shares in issue	<b>897,840</b>	897,840
Basic earnings per share ( <i>RMB per share</i> )	<b>0.27</b>	0.28

There were no potential dilutive ordinary shares for the years ended 31 December 2020 and 2021. Diluted earnings per share were equal to basic earnings per share.

## 8 NOTES RECEIVABLE

Items	31 December 2021 RMB'000	31 December 2020 RMB'000
Book balance of notes receivable	74,889	136,291
Less: Provision for bad debts	<u>(6,135)</u>	<u>(12,460)</u>
Book value of notes receivable	<u>68,754</u>	<u>123,831</u>

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

## 9 ACCOUNTS RECEIVABLE

### (a) Breakdown

Items	31 December 2021 RMB'000	31 December 2020 RMB'000
Book balance of accounts receivable	1,165,660	903,496
Less: Provision for bad debts	<u>(139,157)</u>	<u>(123,316)</u>
Book value of accounts receivable	<u>1,026,503</u>	<u>780,180</u>

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

Items	31 December 2021 RMB'000	31 December 2020 RMB'000
Within 1 year	830,100	563,945
1 to 2 years	156,260	160,785
2 to 3 years	83,688	100,931
Over 3 years	<u>95,612</u>	<u>77,835</u>
Total	<u>1,165,660</u>	<u>903,496</u>

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

**10 BILLS PAYABLE**

<b>Items</b>	<b>31 December 2021 RMB'000</b>	31 December 2020 RMB'000
Bills payable	<u>86,938</u>	<u>53,000</u>
Total	<u><b>86,938</b></u>	<u>53,000</u>

**11 ACCOUNTS PAYABLE****(a) Breakdown**

<b>Items</b>	<b>31 December 2021 RMB'000</b>	31 December 2020 RMB'000
Accounts payable	<u>378,801</u>	<u>316,867</u>
Total	<u><b>378,801</b></u>	<u>316,867</u>

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

<b>Items</b>	<b>31 December 2021 RMB'000</b>	31 December 2020 RMB'000
Within 1 year	<u>318,044</u>	<u>251,332</u>
Over 1 year	<u>60,757</u>	<u>65,535</u>
Total	<u><b>378,801</b></u>	<u>316,867</u>

**12 DIVIDENDS**

	<b>2021 RMB'000</b>	2020 RMB'000
Dividends paid/declared	<u>49,651</u>	<u>15,263</u>

- (i) The interim dividend for the year ended 31 December 2020 amounting to RMB15,263,280 (approximately RMB0.017 per share (tax inclusive)) was approved by the shareholders of the Company at the extraordinary general meeting on 30 October 2020 and paid in November 2020. No final dividend was proposed for the year ended 31 December 2020.
- (ii) Pursuant to a resolution of the Board on 29 March 2022, a dividend of approximately RMB0.0553 per share (tax inclusive) for the year ended 31 December 2021, which amounted to total dividend of RMB49,650,552, is proposed to be distributed at the annual general meeting of the Company to be held on 31 May 2022 and is subject to approval of the shareholders of the Company. The dividend payable was not reflected in these consolidated financial statements.

## MANAGEMENT DISCUSSION AND ANALYSIS

### INDUSTRIAL REVIEW AND ANALYSIS

Facing the impact of the sporadic outbreak of the novel coronavirus (COVID-19) epidemic (the “**Epidemic**”), the overall Chinese economy has maintained a momentum of recovery. In 2021, China’s GDP exceeded RMB110 trillion, representing a year-on-year increase of 8.1%. New achievements were made in China’s high-quality development of railways. The fixed asset investments in national railways amounted to RMB748.9 billion and 4,208 km of new lines were put into operation, including 2,168 km of high-speed railways, fulfilling the annual task of railway construction comprehensively. In August 2020, the “Outline for Planning on Nation with Strong Railway-oriented Transport System in the New Era” (《新時代交通強國鐵路先行規劃綱要》) (the “**Outline**”) was issued by China State Railway Group Co., Ltd., which clarified the development blueprint of China’s railway in the next 30 years with a systematic top-down design. It stated for the first time that China will be the first to achieve a modern railway system with safe and high-quality service, strong support and world-leading strength by 2035. As planned by the Outline, by 2035, it will take the lead in building a modern railway network that can achieve interconnection for domestic and international markets, multiple inter-regional roads, efficient connection of provincial capitals, quick access to prefectures and cities, basic coverage of counties and smooth connection of hubs; the national railway network will cover an area of about 200,000 km with approximately 70,000 km of high-speed railways, while cities with a population of more than 200,000 people will be covered by railways and cities with a population of more than 500,000 population will be accessible by high-speed railways.

During the year, China’s railway construction continued to serve the national development strategy and the construction of major projects has been proceeding in an orderly manner against the impact of the Epidemic. The Beijing-Harbin and Lianyungang-Urumqi High-speed Railways have been connected completely. Major projects such as Zhangjiajie-Jishou-Huaihua, Anqing-Jiujiang, and Ganzhou-Shenzhen High-speed Railways have been completed and put into operation. A number of projects serving major national strategies, such as the Wuhan-Yichang section of the Shanghai-Chongqing-Chengdu High-speed Railway (沿江高鐵), have commenced construction. In addition, overseas projects such as the Jakarta-Bandung High-speed Railway (雅萬高鐵), the Hungary-Serbia Railway (匈塞鐵路), and the China-Thailand Railway (中泰鐵路) have been steadily advanced, which have played an important role in facilitating high-level opening-up.

At the same time, China’s urban rail transit construction has also made positive progress. According to the website of the Ministry of Transport, a total of 269 urban rail transit lines were put into operation in 51 cities in China (excluding Hong Kong, Macao and Taiwan) as of 31 December 2021, with operational mileage of 8,708 km. During the whole year of 2021, there were a total of 35 new urban rail transit lines with operational mileage of 1,168 km newly set up, representing an increase of 20.1% from 2020. Seven cities, namely Luoyang, Shaoxing, Jiaxing, Wenshan, Wuhu as well as Jiaxing (Haining) and Zhenjiang (Jurong), opened urban rail transit service for the first time. During the year, the Company firmly captured the development opportunities of China’s railway construction and actively participated in the construction of high-speed rail, heavy-haul rail and urban rail transit in various regions, ensuring the safe, stable and efficient operation of railways with high-quality products and services.

## **BUSINESS REVIEW**

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) flux cored wire products; and (3) railway sleeper products. In 2021, total revenue of the Group amounted to approximately RMB1,363.6 million, representing an increase of approximately 19.4%.

### **Rail Fastening System Products**

For the year ended 31 December 2021, revenue from rail fastening system products amounted to approximately RMB1,006.7 million, accounting for 73.8% of the Group's total revenue and representing an increase of 21.2% from revenue of approximately RMB830.6 million from this segment last year. This was due to increase in the Company's order volume, driving up the sales volume of rail fastening system products.

During the year under review, cost of sales relating to rail fastening system products increased by approximately 32.6% from approximately RMB484.9 million in 2020 to approximately RMB643.1 million in 2021, which was mainly attributable to higher costs resulted from increase in revenue from rail fastening system products and increase in prices of raw materials during the year.

Benefiting from increase in revenue from rail fastening system products, gross profit of rail fastening system products increased from approximately RMB345.8 million in 2020 to approximately RMB363.6 million in 2021. However, the gross profit margin of rail fastening system products decreased from approximately 41.6% in 2020 to approximately 36.1% in 2021 due to increase in steel prices.

During the year under review, the Group's initial value of the agreements entered into on supplying rail fastening systems was approximately RMB1,186.4 million, representing an increase of approximately 14.8% as compared to 2020. Specifically, the initial value of the agreements entered into on supplying high-speed rail fastening systems amounted to approximately RMB718.0 million, representing an increase of approximately 28.9% as compared to 2020; the initial value of the agreements entered into on supplying urban transit fastening systems amounted to approximately RMB197.1 million; the initial value of the agreements entered into on supplying heavy-haul rail fastening systems amounted to approximately RMB119.7 million, representing an increase of approximately 100.17% as compared to 2020; and the initial value of the agreements entered into on normal-speed rail fastening systems amounted to RMB151.6 million. As at 31 December 2021, the backlog of the Group amounted to approximately RMB1,088.3 million (value-added tax included).

Under the support of national railway network development plans such as the Outline, it is expected that there will be growth in the Group's revenue from sales of rail fastening systems.

## **Flux Cored Wire Products**

For the year ended 31 December 2021, revenue from flux cored wire products amounted to approximately RMB241.9 million, accounting for approximately 17.7% of the total revenue of the Group and representing an increase of approximately RMB20.0 million from approximately RMB221.9 million for the year of 2020. The change in revenue was mainly attributable to the Company's increase in the unit sale price of flux cored wire during the year.

During the year under review, cost of sales from flux cored wire products increased by approximately 16.5% to approximately RMB229.3 million in 2021 from approximately RMB196.8 million in 2020, which was mainly attributable to increase in prices of raw materials during the year.

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 expects to continue to collaborate with its existing major customers, and anticipates that such customers will continue to contribute to a significant portion of revenue of flux cored wire products in the future.

## **Railway Sleeper Products**

For the year ended 31 December 2021, revenue from railway sleeper products was approximately RMB90.5 million, accounting for approximately 6.6% of the Group's total revenue and representing an increase of approximately RMB22.4 million from approximately RMB68.1 million in 2020. The change in revenue was mainly attributable to the increase in customer demand due to better market expansion of railway sleeper products during the year.

During the year under review, cost of sales of railway sleeper products increased by approximately 40.8% from approximately RMB40.2 million in 2020 to approximately RMB56.6 million in 2021, mainly attributable to the increase in sales volume of railway sleeper products.

## **PERFORMANCE ANALYSIS AND DISCUSSION**

### **Revenue**

The Group's business operations mainly comprise research and development, manufacturing and sales of rail fastening system products, flux cored wire products and railway sleeper products. The above business segments have brought sustained and stable revenue to the Group. In 2021, the revenue of the Group increased to approximately RMB1,363.6 million from approximately RMB1,142.1 million in 2020, mainly as a result of increase in revenue from rail fastening system products.

Revenue related to rail fastening system products increased by approximately 21.2% to approximately RMB1,006.7 million in 2021 from approximately RMB830.6 million in 2020, mainly attributable to increase in sale orders of rail fastening system products during the year.

Revenue related to flux cored wire products increased by approximately 9.0% from approximately RMB221.9 million in 2020 to approximately RMB241.9 million in 2021. The change in revenue from flux cored wire products was mainly attributable to increase in the unit sale price of flux cored wire products during the year.

Revenue related to railway sleeper products increased by approximately 32.9% from approximately RMB68.1 million in 2020 to approximately RMB90.5 million in 2021. The change in revenue from railway sleeper products were primarily attributable to increase in customer demand due to better market expansion during the year.

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

### **Operating Cost**

The Group's operating cost increased by approximately 28.7% to approximately RMB947.6 million in 2021 from approximately RMB736.6 million in 2020, which was mainly attributable to increase in sale volume from rail fastening system products and increase in costs of raw materials during the year.

Operating cost related to rail fastening system products increased by approximately 32.6% to approximately RMB643.1 million in 2021 from approximately RMB484.9 million in 2020, which was mainly attributable to increase in revenue from rail fastening system products and increase in costs of raw materials during the year.

Operating cost related to flux cored wire products increased by approximately 16.5% to approximately RMB229.3 million in 2021 from approximately RMB196.8 million in 2020, which was mainly attributable to increase in prices of raw materials during the year.

Operating cost related to railway sleeper products increased by approximately 40.8% to approximately RMB56.6 million in 2021 from approximately RMB40.2 million in 2020, which was mainly attributable to increase in the sales volume of railway sleeper products during the year.

## **Gross Profit**

Based on the aforesaid reasons, the Group recorded a gross profit of approximately RMB416.0 million in 2021, representing a year-on-year increase of approximately 2.6% as compared to the gross profit of approximately RMB405.5 million in 2020, which was mainly due to increase in revenue from rail fastening system products during the year.

Gross profit of rail fastening system products increased from approximately RMB345.8 million in 2020 to approximately RMB363.6 million in the same period of 2021, and the gross profit margin decreased from approximately 41.6% in 2020 to approximately 36.1% in the same period of 2021, which was mainly attributable to increase in prices of raw materials during the year.

Gross profit of flux cored wire products decreased by approximately 49.8% to approximately RMB12.6 million in 2021 from approximately RMB25.1 million in the same period of 2020. Gross profit margin decreased from approximately 11.3% in 2020 to approximately 5.2% in the same period of 2021, which was mainly attributable to the increase in costs of raw materials.

Gross profit of railway sleeper products increased by approximately 21.5% to approximately RMB33.9 million in 2021 from approximately RMB27.9 million in 2020. Gross profit margin decreased to approximately 37.5% from approximately 41.0% in 2020, which was mainly attributable to increase in revenue of railway sleeper products and changes in product structure.

## **Selling Expenses**

Selling expenses of the Group increased to approximately RMB21.3 million in 2021 from approximately RMB18.8 million in 2020. For the years ended 31 December 2020 and 2021, selling expenses as a percentage of total revenue accounted for approximately 1.6% and 1.6%, respectively. The increase in selling expenses was mainly attributable to increase in product testing and certification fee.

## **Management Expenses**

Management expenses of the Group increased to approximately RMB84.4 million in 2021 from approximately RMB70.0 million in 2020. For the years ended 31 December 2020 and 2021, management expenses as a percentage of total revenue accounted for approximately 6.1% and 6.2%, respectively. The increase in management expenses was mainly because the capitalised agency fees were adjusted to management expenses during the year due to the termination of the A Share Listing Application.

## **Research and Development Expense**

Research and development expense of the Group increased to approximately RMB44.6 million in 2021 from approximately RMB42.3 million in 2020. The increase of research and development expense was mainly due to the reduction in social insurance and the decrease of research and development salaries in 2020 as affected by the Epidemic in 2020. For the years ended 31 December 2020 and 2021, research and development expense as a percentage of total revenue accounted for approximately 3.7% and 3.3%, respectively.



## **Loss on Credit Impairment**

Loss on credit impairment of the Group decreased to approximately RMB3.8 million in 2021 from approximately RMB9.0 million in 2020. For the years ended 31 December 2020 and 2021, loss on credit impairment as a percentage of total revenue accounted for approximately 0.8% and 0.3%, respectively. The decrease in loss on credit impairment was mainly due to the improvement in the aging of accounts receivable during the year.

## **Impairment Loss of Assets**

Impairment loss of assets of the Group increased to approximately RMB10.1 million in 2021 from approximately RMB4.3 million in 2020. For the years ended 31 December 2020 and 2021, impairment loss of assets as a percentage of total revenue accounted for approximately 0.4% and 0.7%, respectively. The increase in impairment loss of assets was primarily due to the increase in inventory impairment loss of flux cored wire during the year.

## **Operating Profit**

Based on the aforesaid reasons, the Group recorded operating profit of approximately RMB285.2 million in 2021, representing a year-on-year decrease of approximately 4.7% as compared to operating profit of approximately RMB299.2 million recorded in 2020, which was mainly attributable to increase in prices of raw materials during the year.

## **Finance Costs**

In 2021, the Group incurred total finance costs of approximately RMB13.9 million, representing a year-on-year decrease of approximately 5.4% as compared to total finance costs of approximately RMB14.7 million in 2020. Under this category, interest income decreased by approximately 10.0% to approximately RMB2.7 million from approximately RMB3.0 million in 2020. Interest expenses increased by approximately 8.2% to approximately RMB15.8 million from approximately RMB14.6 million in 2020. The Group recorded exchange gains of approximately RMB0.5 million in 2021 as compared to exchange losses of approximately RMB1.8 million in 2020. The decrease in finance costs was mainly due to decrease in foreign exchange loss during the year.

## **Investment Gains**

In 2021, the Group's investment gains totalled approximately RMB34.1 million, representing a year-on-year increase of approximately 12.9% from the total investment gains of approximately RMB30.2 million in 2020. In particular, the Group recorded an aggregate of approximately RMB32.0 million in share of investment gains from associates in 2021, representing a year-on-year increase of approximately 4.9% from such share of investment gains of approximately RMB30.5 million recorded in the corresponding period in 2020, and the change was not significant.

## **Income Tax**

Income tax expenses of the Group decreased by approximately 8.4% to approximately RMB36.0 million in 2021 from approximately RMB39.3 million in 2020, which was mainly attributable to the decrease in total profit for the year.

The applicable corporate income tax rate for the Company and its subsidiary Xingtai Juneng Railway Electrical Equipment Co., Ltd.\* (邢臺炬能鐵路電氣器材有限公司) was 15% for 2021. The applicable tax rate for other subsidiaries in Mainland China was 25% for 2021.

## **Net Profit**

Based on the aforesaid reasons, the net profit decreased by approximately 3.3% from RMB257.0 million in 2020 to approximately RMB248.5 million in 2021. Net profit margin decreased to approximately 18.2% for the year ended 31 December 2021 from approximately 22.5% for the year ended 31 December 2020, which was mainly attributable to the increase in operating cost during the year.

## **Net Profit Attributable to Owners of the Parent**

The Group's net profit attributable to owners of the parent amounted to approximately RMB246.1 million in 2021, representing a decrease of approximately 2.4% from approximately RMB252.2 million in 2020. In 2021, basic earnings per share amounted to approximately RMB0.27, representing a slight decrease from that of 2020.

## **Financial Resources and Capital Structure**

As at 31 December 2021, the Group had cash and cash equivalents of approximately RMB65.9 million, accounts receivable of approximately RMB1,026.5 million, accounts payable of approximately RMB378.8 million, and outstanding borrowings of approximately RMB303.5 million. As at 31 December 2021, the above cash and cash equivalents included approximately RMB0.8 million equivalents of Hong Kong dollars.

As at 31 December 2020, the Group had cash and cash equivalents of approximately RMB135.8 million, accounts receivable of approximately RMB780.2 million, accounts payable of approximately RMB316.9 million, and outstanding borrowings of approximately RMB351.6 million.

The Group usually satisfies its daily working capital requirements through self-owned cash and borrowings. In December 2016, the Company completed its listing on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and issued a total of 224,460,000 H shares. As at 31 December 2021 the outstanding borrowings of the Group included total short-term borrowings of approximately RMB58.7 million, total non-current liabilities of approximately RMB25.3 million due within one year and total long-term borrowings of approximately RMB219.5 million. The Group will promptly repay the aforesaid borrowings at maturity.

\* For identification purposes only

## **Total Assets**

As at 31 December 2021, the total assets of the Group were approximately RMB3,222.0 million, representing an increase of approximately RMB324.0 million or approximately 11.2% from those as at 31 December 2020, which was mainly attributable to the increase in accounts receivable at the end of the period.

## **Total Liabilities**

As at 31 December 2021, the total liabilities of the Group were approximately RMB861.1 million, representing an increase of approximately RMB75.5 million or approximately 9.6% from those as at 31 December 2020, mainly because of the increase in accounts payable and bank borrowings at the end of the period.

## **Total Equity**

As at 31 December 2021, the total equity of the Group was approximately RMB2,360.9 million, representing an increase of approximately RMB248.5 million from that as at 31 December 2020, which was mainly attributable to the increase in net profit of the Group during the year.

## **Gearing Ratio**

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

As at 31 December 2021, the Group's gearing ratio was 9.1%, representing a decrease of 0.2 percentage point as compared to 9.3% as at 31 December 2020, which was mainly attributable to the increase in equity of owners at the end of the period.

## **EMPLOYEE AND REMUNERATION POLICIES**

As at 31 December 2021, the Group incurred total staff costs of approximately RMB109.8 million for 1,364 employees, representing an increase of approximately RMB10.7 million or approximately 10.8% as compared to the same period of 2020, which was mainly attributable to (i) no concession policy on social insurance during the Epidemic for 2021; (ii) the increase 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.

## FUTURE PROSPECTS

According to the working meeting of China State Railway Group Co., Ltd., in 2022, it will focus on making up for shortcomings, strengthening weaknesses, and emphasising on the construction of supporting facilities to promote railway construction and other national priorities projects, such as Sichuan-Tibet Railway, in a scientific, orderly, safe and high-quality manner, and complete the national railway investment task in an all-round manner. It is expected that 3,300 km of new lines will be completed and put into operation, including normal-speed railways of approximately 1,900 km.

On 27 December 2021, the National Railway Administration of the People's Republic of China issued the "14th Five-Year" Railway Standardisation Development Plan" (《「十四五」鐵路標準化發展規劃》, hereinafter referred to as the "**Plan**"), which clarified the guidelines, main objectives, key tasks and safeguard measures for standardisation of railway industry in China during the "14th Five-Year" Period. The Plan is the programmatic document for the standardisation of railway industry during the "14th Five-Year" period, which has significant strategic importance to railway standardisation. The Plan points out that standardisation plays a fundamental and leading role in promoting the modernisation of railway governance system and governance capacity, and is a powerful support to achieve scientific management and standardise the railway market. It has great significance on serving the industry development and guaranteeing the safety of railway construction and operation.

The Plan clarifies that, during the "14th Five-Year" period, the railway standardisation focuses on four major tasks. The first task is to build a new pattern of railway standards system by promoting government-led standards-setting and encouraging the innovative development of group standards and corporate standards in three aspects: "optimising equipment and technology standards subsystem, improving the quality of engineering and construction standards subsystem, and perfecting the transportation service standards subsystem". The second task is to strengthen the revision of standards in key areas by setting three columns around the fields of "equipment technology, engineering construction and transportation services" and proposing key standards in 18 aspects such as locomotive, survey, and transportation organisation. The third task is to deepen the exchange and cooperation of railway standardisation by proposing four tasks: actively participating in the revision of international standards, engaging in international standardisation publicity, tracking the dynamics of international standards, and strengthening the standard translation management. The fourth task is to strengthen the basic research of railway standardisation by engaging in core technology research in seven aspects such as security management, system equipment, infrastructure, security and disaster prevention, green and low-carbon, and promoting the interactive development of standardisation and technological innovation.

As a leading rail fastening system and railway sleeper provider in the railway industry of China, the Group will keep abreast of the market development opportunities brought by the gradual optimisation of railway network under the goal of building a strong transport system, carry out research and development actively and stimulate innovation, participate in the formulation and revision of standards, and strive to improve product quality and service standards, with aims to provide rail fastening system products and railway sleeper products with high standard and good quality. This will facilitate key projects such as Sichuan-Tibet Railway, the Shanghai-Chongqing-Chengdu High-speed Railway, as well as contributing to the high-level construction and safe operation of railways in China. Meanwhile, the Group will also actively explore opportunities for vertical expansion in the industry and enhance the core competitiveness and profitability of the Group with a diversified product offering, so as to give back to shareholders and investors.

## **RESPONSE TO THE EPIDEMIC**

At the beginning of 2022, clustered Epidemic in mainland China showed characteristics of multi-outbreaks, extensive coverage and frequent occurrence. The situation of pandemic prevention and control is complex with increased difficulty. At present, the responsive and handling work in each area under outbreak of the Epidemic is progressing in an orderly manner, and the overall situation is still under control.

Facing the serious situation of pandemic prevention and control, the Group has been prioritising the protection of its employees' safety and health, closely monitoring the situation of the Epidemic, strictly executing various pandemic prevention and control work, implementing complete disinfection at production and office premises and conducting daily health check and other prevention and control measures. Meanwhile, the Group actively communicated with its customers and suppliers, making timely adjustments to its manufacturing and operation plans, which minimised the adverse impact arising from the Epidemic.

## **EVENTS AFTER THE PERIOD**

As disclosed in the announcement of the Company dated 22 March 2022, in the light of the Company's adjustment in strategic planning due to changes in the capital markets and impact of the Epidemic on the economy, after due consideration and careful deliberation with the professional parties involved, the Company has decided to terminate the listing application (the "**A Share Listing Application**") for the proposed initial public offering of its A shares to be listed on ChiNext of the Shenzhen Stock Exchange (the "**Proposed A Share Offering and Listing**"). The termination of the A Share Listing Application is not expected to give rise to any material adverse impact on the business operations or financial position of the Company.

Details of the Proposed A Share Offering and Listing and the A Share Listing Application have been disclosed in the announcements of the Company dated 30 August 2020, 9 September 2020, 24 September 2020, 30 September 2020, 30 October 2020, 30 December 2020, 30 January 2022, 2 March 2022, 18 March 2022 and 22 March 2022, the supplemental circular of the Company dated 15 October 2020 and the circular of the Company dated 25 February 2022.

## **PUBLIC FLOAT**

Based on the publicly available information to the Company and to the knowledge of the directors of the Company (the "**Directors**"), not less than 25% of the shares of the Company in issue are held by the public for the year ended 31 December 2021, in accordance with the requirement of the Listing Rules.

## **ANNUAL GENERAL MEETING**

The annual general meeting (the "**AGM**") will be held on Tuesday, 31 May 2022. Shareholders may refer to the notice and form of proxy of the AGM to be despatched by the Company for details regarding the meeting.

## FINAL DIVIDEND

The Board resolved to recommend the payment of a final dividend of RMB0.0553 per share (tax inclusive) for the year ended 31 December 2021 (the “**2021 Final Dividend**”) with an aggregate net amount of RMB49,650,552 to shareholders of the Company (the “**Shareholders**”) whose names appear on the Company’s register of members as at Tuesday, 14 June 2022, subject to the approval by the Shareholders at the forthcoming AGM to be held on Tuesday, 31 May 2022. Subject to the passing of the relevant resolution at the AGM, the 2021 Final Dividend is expected to be paid on or around 21 July 2022.

## WITHHOLDING AND PAYMENT OF INCOME TAX ON BEHALF OF OVERSEAS SHAREHOLDERS

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

In accordance with the tax laws and relevant requirements under taxation regulatory institutions of the PRC, the Company is required to withhold 10% enterprise income tax when it distributes the 2021 Final Dividend to all non-resident enterprise Shareholders (including HKSCC Nominees Limited, other nominees, trustees or other entities and organisations, who will be deemed as non-resident enterprise Shareholders) whose names appear on the H share register of members of the Company on Tuesday, 14 June 2021.

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

As such, when distributing the 2021 Final Dividend pursuant to the register of members of domestic corporate investors as holders of H shares of the Company as at Tuesday, 14 June 2022 provided by China Securities Depository and Clearing Corporation Limited (“**CSDC**”), the Company shall not withhold income tax on dividends for domestic corporate investors. The tax payable shall be reported and paid by the enterprises themselves.

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

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

As such, when distributing the 2021 Final Dividend pursuant to the register of members of domestic individual investors (including domestic securities investment funds) as holders of H shares of the Company as at Tuesday, 14 June 2022 provided by CSDC, the Company shall withhold and pay individual income tax in accordance with the requirements mentioned above on behalf of the investors.

Pursuant to the "Notice on Matters concerning the Levy and Administration of Individual Income Tax after the Repeal of Guo Shui Fa [1993] No. 045" (《關於國稅發[1993]045號檔廢止後有關個人所得稅徵管問題的通知》) (the "**Tax Notice**") issued by the State Taxation Administration and the letter titled "Tax Arrangements on Dividends Paid to Hong Kong Residents by Mainland Companies" issued by the Stock Exchange, the overseas resident individual shareholders of the shares issued by domestic non-foreign invested enterprises in Hong Kong are entitled to the relevant preferential tax treatment pursuant to the provisions on the tax treaties between the countries where they reside and China and the tax arrangements between Mainland China and Hong Kong (Macau). The Company shall identify the residential status of Individual H Shareholders according to their registered addresses on the H share register of members of the Company on Tuesday, 14 June 2022 (the "**Registered Address**"). The Company assumes no responsibility and disclaims any liabilities whatsoever in relation to the tax status or tax treatment of the Individual H Shareholders and for any claims arising from any delay in or inaccurate determination of the tax status or tax treatment of the Individual H Shareholders or any disputes over the withholding mechanism or arrangements. Details of the arrangements are as follows:

- For Individual H Shareholders who are Hong Kong or Macau residents or residents of another country (region) which has entered into a tax treaty with the PRC stipulating a tax rate of 10%, the Company will withhold and pay individual income tax at the rate of 10% on behalf of these Individual H Shareholders in the distribution of final dividend;

- For Individual H Shareholders who are residents of a country (region) which has entered into a tax treaty with the PRC stipulating a tax rate of less than 10%, the Company will temporarily withhold and pay individual income tax at the rate of 10% on behalf of these Individual H Shareholders in the distribution of final dividend. If relevant Individual H Shareholders would like to apply for a refund of the excess amount of tax withheld and paid, the Company will handle, on their behalf, the applications for tax preferential treatments under the Tax Notice. Qualified shareholders shall submit a letter of entrustment and all application materials as required under the Tax Notice to the Company's H share registrar, Computershare Hong Kong Investor Services Limited, in a timely manner. The Company will then submit the above documents to competent tax authorities for their examination, and if and when approved, the Company will assist in refunding the excess amount of tax withheld and paid;
- For Individual H Shareholders who are residents of a country (region) which has entered into a tax treaty with the PRC stipulating a tax rate of more than 10% but less than 20%, the Company will withhold and pay individual income tax at the effective tax rate stipulated in the relevant tax treaty on behalf of these Individual H Shareholders in the distribution of final dividend; and
- For Individual H Shareholders who are residents of a country (region) which has entered into a tax treaty with the PRC stipulating a tax rate of 20%, or a country (region) which has not entered into any tax treaties with the PRC, or under any other circumstances, the Company will withhold and pay individual income tax at the rate of 20% on behalf of these Individual H Shareholders in the distribution of final dividend.

If the domicile of an Individual H Shareholder is not the same as the Registered Address or if the Individual H Shareholder would like to apply for a refund of the final excess amount of tax withheld and paid, he or she shall notify and provide relevant supporting documents to the Company on or before Tuesday, 7 June 2022. Upon examination of the supporting documents by the relevant tax authorities, the Company will comply with the guidelines of the tax authorities to implement regulations and arrangements related to withholding and payment. Individual H Shareholders carry out the relevant procedures on their own or through representatives in accordance with the relevant requirements under the "Administrative Measures on Preferential Treatment Entitled by Non-residents under Tax Treaties" (Guo Shui Fa [2015] No. 60) (《非居民納稅人享受稅收協定待遇管理辦法》(國稅發[2015]60號)) if they fail to provide the relevant supporting documents to the Company before the time limit stated above.

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



## **CLOSURE OF REGISTER OF MEMBERS**

In order to determine the list of Shareholders who are entitled to attend and vote at the AGM to be held on Tuesday, 31 May 2022, the register of members of the Company will be closed from Sunday, 1 May 2022 to Tuesday, 31 May 2022 (both days inclusive), during which no transfer of shares will be registered. Holders of H shares and domestic shares whose names appear on the register of members of the Company on Tuesday, 31 May 2022 are entitled to attend and vote at the AGM. Holders of H shares of the Company intending to attend and vote at the AGM shall lodge all share transfer documents together with the relevant H share certificates with the Company's H share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, no later than 4:30 p.m. on Friday, 29 April 2022 (Hong Kong time) for share transfer registration.

In order to determine the list of Shareholders who are entitled to the 2021 Final Dividend, the register of members of the Company will be closed from Wednesday, 8 June 2022 to Tuesday, 14 June 2022 (both days inclusive), during which no transfer of shares will be registered. Holders of H shares and domestic shares whose names appear on the register of members of the Company on Tuesday, 14 June 2022 are entitled to the 2021 Final Dividend. Holders of H shares of the Company intended to receive the 2021 Final Dividend shall lodge all share transfer documents together with the relevant H share certificates with the Company's H share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, no later than 4:30 p.m. on Tuesday, 7 June 2022 (Hong Kong time) for share transfer registration.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company for the year ended 31 December 2021.

## **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 14 to the Listing Rules for the year ended 31 December 2021.

## **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 of the Company. Upon making specific enquiries to all of the directors and supervisors of the Company, all directors and supervisors of the Company confirmed that for the year ended 31 December 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".

## AUDITOR

The financial figures in respect of the Group's consolidated financial statements and the related notes thereto for the year ended 31 December 2021 as set out in this preliminary announcement have been agreed by the Group's auditor, Pan-China Certified Public Accountant LLP (天健會計師事務所(特殊普通合夥)) ("PCCPA"), Certified Public Accountants, to the amounts set out in the Group's consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by PCCPA in this respect did not constitute an audit, review or other assurance engagement in accordance with the Auditing Standards for Certified Public Accountants of China (《中國註冊會計師審計準則》), the Standards on Review Engagements for Certified Public Accountants of China (《中國註冊會計師審閱準則》) or the Standards on Other Assurance Engagements for Certified Public Accountants of China (《中國註冊會計師其他鑒證業務準則》) and consequently no assurance has been expressed by PCCPA.

## AUDIT COMMITTEE

The audit committee of the Company has reviewed the Group's 2021 annual results and the financial statements for the year ended 31 December 2021 prepared in accordance with the PRC Accounting Standards.

## PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This results announcement is published on the HKEXnews website of the Stock Exchange at <http://www.hkexnews.hk> and on the website of the Company at <http://www.hbyc.com.cn>. The 2021 annual report containing all the information required by the Listing Rules will be despatched to the Shareholders in due course and 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 March 2022

*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 the executive Directors; Ms. Gu Xiaohui as the non-executive Director; and Mr. Jip Ki Chi, Mr. Wang Qi and Mr. Zhang Ligu as the independent non-executive Directors.*

\* For identification purposes only