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 2016

FINANCIAL HIGHLIGHTS

- Revenue amounted to approximately RMB1,035.43 million, representing an increase of 14.15% compared with that of 2015.
- Gross profit amounted to approximately RMB468.15 million, representing an increase of approximately 20.05%.
- Profit before taxation amounted to approximately RMB354.73 million, representing an increase of 28.82% compared with that of 2015.
- Total comprehensive income attributable to equity owners of the Company amounted to approximately RMB313.73 million, representing an increase of 37.59% compared with that of 2015.
- For the year ended 31 December 2016, the basic and diluted earnings per share amounted to RMB0.45.

FINAL DIVIDEND

- The board of directors has proposed a final dividend of RMB0.167 per share (including tax) for the year ended 31 December 2016, with an aggregate amount of RMB149,939,280.

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**") for the year ended 31 December 2016 (the "**Reporting Period**"), together with comparative figures for the year ended 31 December 2015 as follows.

1. CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2016

		For the year ended 31 December	
	Note	**2016**	2015
		RMB'000	*RMB'000*
Revenue	*3*	**1,035,427**	907,049
Cost of sales	*3,4*	**(567,278)**	(517,079)
Gross profit		**468,149**	389,970
Selling and distribution expenses	*4*	**(48,654)**	(50,525)
General and administrative expenses	*4*	**(64,728)**	(54,147)
Other gains, net	*5*	**3,288**	2,235
Operating profit		**358,055**	287,533
Finance income		**1,899**	1,137
Finance costs		**(16,294)**	(20,888)
Finance costs, net		**(14,395)**	(19,751)
Share of profits of an associate		**11,072**	7,588
Profit before income tax		**354,732**	275,370
Income tax expense	*6*	**(48,875)**	(47,359)
Profit for the year		**305,857**	228,011
Equity holders of the Company		**305,857**	228,069
Non-controlling interests		**–**	(58)
		305,857	228,011
Basic and diluted earnings per share for profit attributable to equity holders of the Company during the year (RMB)	*7*	**0.45**	0.34

2. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

	For the year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Profit for the year	**305,857**	228,011
Other comprehensive income:		
Item that may be reclassified to income statement		
Change in fair value of available-for-sale financial assets	**7,869**	–
Total comprehensive income for the year	**313,726**	228,011
Attributable to:		
Equity holders of the Company	**313,726**	228,069
Non-controlling interests	**–**	(58)
Total comprehensive income for the year	**313,726**	228,011

3. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Note	As at 31 December **2016** *RMB'000*	2015 *RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**110,087**	117,046
Lease prepayment for land use rights		**136,329**	97,811
Intangible assets		**111**	177
Investments in an associate		**51,185**	40,113
Deferred income tax assets	*9*	**17,218**	14,670
Other receivables and prepayments (non-current portion)		**7,464**	8,469
		322,394	278,286
Current assets			
Available-for-sale financial assets		**136,869**	–
Inventories		**170,935**	137,459
Accounts receivable	*10*	**989,010**	753,375
Advances to suppliers		**47,387**	12,196
Other receivables and prepayments (current portion)		**17,903**	21,242
Restricted cash		**44,824**	78,746
Cash and cash equivalents		**649,436**	85,541
		2,056,364	1,088,559
Total assets		**2,378,758**	1,366,845

	Note	As at 31 December 2016 RMB'000	2015 RMB'000
EQUITY			
Capital and reserves attributable to equity holders			
Capital		**448,920**	336,690
Other reserves		**880,573**	396,720
Retained earnings		**308,063**	105,294
		1,637,556	838,704
Non-controlling interests		**–**	–
Total equity		**1,637,556**	838,704
LIABILITIES			
Non-current liabilities			
Bank borrowings		**20,000**	–
Deferred income from government grants		**6,106**	6,338
		26,106	6,338
Current liabilities			
Accounts payable	*11*	**258,693**	189,076
Advances from customers		**10,343**	4,550
Other payables and accruals		**92,465**	54,771
Current income tax liabilities		**2,185**	351
Bank borrowings		**351,410**	221,755
Other borrowings		**–**	47,400
Finance lease liabilities		**–**	3,900
		715,096	521,803
Total liabilities		**741,202**	528,141
Total equity and liabilities		**2,378,758**	1,366,845

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 address of the Company's registered office is No.1, Yichen North Street, Gao Cheng City, Hebei Province, the PRC.

The Group principally engaged in manufacturing and sale of rail fastening system products and welding materials.

In preparation for listing of H shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Listing**"), the Company was transformed into a joint stock company on 26 November 2015. The equity interest of the Company was transformed into share capital of RMB336,690,000 by issuance of 336,690,000 shares of RMB1 each to the existing shareholders of the Company pro rata based on their previous capital contribution to the Company.

Pursuant to a shareholders' resolution on 30 November 2015, these 336,690,000 shares shall be further sub-divided into 673,380,000 shares of RMB0.5 per share. The sub-division was completed upon the Listing.

On 21 December 2016, the Company completed the Listing by issuing 224,460,000 new shares with nominal value of RMB0.50 per share. The Company's shares were then listed on the Main Board of the Stock Exchange of Hong Kong.

2 BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board ("**IASB**") and requirements of the Hong Kong Companies ordinance Cap. 622.

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, as appropriate.

The preparation of the consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

(a) New and amended standards adopted by the group

The following amendments to standards have been adopted by the group for the first time for the financial year beginning on or after 1 January 2016:

- Accounting for acquisitions of interests in joint operations – Amendments to IFRS 11
- Clarification of acceptable methods of depreciation and amortisation – Amendments to IAS 16 and IAS 38
- Annual improvements to IFRSs 2012–2014 cycle, and
- Disclosure initiative – amendments to IAS 1.

The adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.

(b) New standards and interpretations not yet adopted by the Group

The following new standards, amendments and interpretations to existing standards have been issued but are not effective for the financial year beginning 1 January 2016 and have not been early adopted by the Group.

- IFRS 15 "Revenue from Contracts with Customers", establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a 5-step approach: (1) Identify the contract(s) with customer (2) Identify separate performance obligations in a contract (3) Determine the transaction price (4) Allocate transaction price to performance obligations and (5) recognise revenue when performance obligation is satisfied. The core principle is that a company should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an 'earnings processes' to an 'asset-liability' approach based on transfer of control. IFRS 15 is effective for an entity's first annual financial statements under IFRS for a period beginning on or after 1 January 2018, with earlier application permitted. The Group does not plan to early adopt IFRS 15. The management does not expect significant impact on the financial performance and position of the Group resulted from the effectiveness of IFRS 15 for periods beginning on or after 1 January 2018.

- IFRS 16, 'Leases' addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from IFRS 16 is that most operating leases will be accounted for on financial statements position for lessees. The standard replaces IAS 17 'Leases', and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2019 and earlier application is permitted subject to the reporting entity adopting IFRS 15 'Revenue from contracts with customers' at the same time.

  The Group is a lessee of various premise, these leases are currently classified as operating leases. IFRS 16 provides new provisions for the accounting treatment of leases for operating lessees and generally no longer allow them to recognise leases outside of their statements of financial position. Instead almost all leases must be recognised in the form of an asset (for the right-of-use) and a lease liability (for the payment obligation). The new standard will therefore result in an increase in assets and liabilities in the statement of financial position. In the statement of comprehensive income, depreciation on the right-of-use asset and interest expense on the lease liability will be recognised instead of an operating lease expense. The Group does not plan to early adopt IFRS 16. Based on the Group's undiscounted operating lease commitment of RMB1,678,000 as at 31 December 2016, the management expects IFRS 16 will not have significant impact on the financial position and financial performance of the Group.

- IFRS 9, "Financial instruments", addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted.

The management is in the process of assessing the impact of IFRS 9. Measurement of impairment loss on accounts receivable based on an expected credit losses model requires the use of historical data as well as forward looking information and may have an impact to the Group's consolidated financial statements. It is not practicable to provide a reasonable estimate of the effect until the Group performs a detailed review. Other than the adoption of an expected credit losses impairment model and disclosure changes, adoption of IFRS 9 is currently not expected to have a material impact on the consolidated financial statements of the Group. The Group does not plan to early adopt IFRS 9.

- Amendments to IFRS 10 and IAS 28 on sale or contribution of assets between an investor and its associate or joint venture address an inconsistency between IFRS 10 and IAS 28 in the sale and contribution of assets between an investor and its associate or joint venture. A full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if those assets are in a subsidiary. The amendment were originally intended to be effective for annual periods beginning on or after 1 January 2016. The effective date has now been deferred/removed. Early application of the amendments continues to be permitted.

  The adoption of the amendment to IFRS 10 and IAS 28 is not expected to have a material impact on the consolidated financial statements of the Group and the Group does not plan to early adopt this amendment.

- Amendments to IAS 7 will require entities explain changes in their liabilities arising from financing activities. Changes in financial assets must be included in this disclosure if the cash flows were, or will be, included in cash flows from financing activities. Entities may include changes in other items as part of this disclosure. The information may be disclosed in tabular format as a reconciliation from opening and closing balances, but a specific format is not mandated. The amendment will be effective for annual periods beginning on or after 1 January 2017.

  The adoption of the amendments to IAS 7 is not expected to have a significant effect on the consolidated financial statements of 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 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 chief operating decision maker reviews internal management reports on monthly basis, at a minimum.

Management has determined the reporting segments based on these reports.

The Group considers the business from a product perspective:

- Rail fastening system products: manufacturing and sales of railway related products

- Welding material products: manufacturing and sales of welding materials

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

For the year ended 31 December 2016	**Rail fastening system products** *RMB'000*	**Welding materials** *RMB'000*	**Others** *RMB'000*	**Total** *RMB'000*
Total revenue	**958,787**	**68,887**	**7,753**	**1,035,427**
Inter-segment revenue	**–**	**–**	**–**	**–**
Revenue from external customers	**958,787**	**68,887**	**7,753**	**1,035,427**
Total cost of sales	**503,544**	**57,302**	**6,432**	**567,278**
Segment gross profit	**455,243**	**11,585**	**1,321**	**468,149**
Other profit & loss disclosure:				
Depreciation and amortization	**13,079**	**2,501**	**4,164**	**19,744**
Provisions for impairment of receivables	**20,617**	**1,358**	**378**	**22,353**
Finance costs, net	**–**	**–**	**14,395**	**14,395**

For the year ended 31 December 2015	Rail fastening system products *RMB'000*	Welding materials *RMB'000*	Others *RMB'000*	Total *RMB'000*
Total revenue	828,382	71,866	6,801	907,049
Inter-segment revenue	–	–	–	–
Revenue from external customers	828,382	71,866	6,801	907,049
Total cost of sales	459,723	52,202	5,154	517,079
Segment gross profit	368,659	19,664	1,647	389,970
Other profit & loss disclosure:				
Depreciation and amortization	11,457	2,971	5,716	20,144
Provisions for impairment of receivables	7,359	6,166	740	14,265
Finance costs, net	–	–	19,751	19,751

The revenue from external parties reported to the Group's chief operating decision maker is measured in a manner consistent with that in the statement of comprehensive income.

Reconciliations of segment results to profit for the years are as follows:

	For the year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Segment gross profit	**468,149**	389,970
Selling and distribution expenses, general and administrative expenses and finance costs, net	**(127,777)**	(124,423)
Other gains, net	**3,288**	2,235
Share of profits of associate, net	**11,072**	7,588
Profit before income tax	**354,732**	275,370
Income tax expense	**(48,875)**	(47,359)
Profit for the year	**305,857**	228,011

For the years ended at 31 December 2016 and 2015, over 95% of the Group's revenue are generated in China.

4 EXPENSE BY NATURE

	For the year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Raw materials used	**484,956**	389,167
Changes in inventories of finished goods and work-in-progress	**(28,305)**	12,392
Employee benefit costs	**62,564**	63,623
Transportation and warehouse expenses	**24,471**	27,361
Depreciation on property, plant and equipment	**17,317**	19,617
Amortization on		
– land use rights	**2,268**	402
– intangible assets	**159**	125
Provision for impairment of receivables	**22,353**	14,265
Royalty fee	**12,376**	10,566
Utilities	**39,108**	44,305
Operating lease expenses	**973**	756
Office and travel expenses	**6,711**	5,835
Sales tax and levies	**14,822**	12,751
Car rental fee	**–**	2,227
Service fees and charges	**1,886**	2,474
Product examination costs	**1,556**	1,367
Listing expenses	**2,947**	1,131
Audit fee	**2,158**	9
Others	**12,340**	13,378
Total cost of sales, selling and distribution expenses, and general and administrative expenses	**680,660**	621,751

5 OTHER GAINS, NET

	For the year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Amortization of deferred income	**232**	233
Income related to government grants *(i)*	**2,557**	1,206
(Loss)/gain on disposal of property, plant and equipment	**(163)**	619
Others	**662**	177
	3,288	2,235

Note (i): Income related to government grants respects to the cash subsidies for well-known trademark, energy conservation and emissions reduction or other subsidies from local government.

6 INCOME TAX EXPENSE

	For the year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Current income tax	**51,423**	43,352
Deferred income tax	**(2,548)**	4,007
	48,875	47,359

Provision for PRC enterprise income tax is calculated based on the statutory income tax rate of 15% for the year 2015 and 2016 on the assessable income of respective Group entities in accordance with relevant PRC enterprise income tax rules and regulations.

As at 29 September 2015, the Company was certified as "High Tech. Enterprise" of Hebei province (河北省高新技術企業), valid for three years (from year 2015 to year 2017), and as at 29 February 2016, the Company had completed the preferential income tax filling and enjoyed the preferential income tax rate of 15%.

The reconciliation between the Group's actual tax charge and the amount which is calculated based on the statutory income tax rate in the PRC is as follows:

	For the year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Profit before income tax	**354,732**	275,370
Tax calculated at the statutory tax rate(15%)	**53,210**	41,306
Income not subject to tax	**(1,661)**	(1,138)
Expenses not deductible for tax purposes	**217**	151
Additional deduction of research and development expenses	**(3,184)**	–
Re-measurement of deferred tax – change in the Company's tax rate	**–**	6,814
Others	**293**	226
Tax charge	**48,875**	47,359

7 EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

The basic earnings per share for the year ended 31 December 2015 is calculated based on the profit attributable to the equity holders of the Company and on the assumption that 336,690,000 shares issued upon the Company's transformation to a joint-stock company on 26 November 2015 and the share sub-division pursuant to a shareholders' resolution dated 30 November 2015 into 673,380,000 shares were issued throughout the year.

	For the year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Profit attributable to equity holders of the Company	**305,857**	228,069
Weighted average number of ordinary shares in issue (thousands)	**679,530**	673,380
Basic earnings per share (RMB per share)	**0.45**	0.34

There were no dilutive potential ordinary shares for the years ended 31 December 2015 and 2016. Diluted earnings per share equal to basic earnings per share.

8 DIVIDENDS

	For the year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Dividends paid/declared *(i)*	**73,062**	10,000

(i) On 4 February 2016, the board of directors resolved to declare an annual dividend of RMB73,061,730 (the dividend paid for the year ended 31 December 2015 was RMB10,000,000) to its then existing shareholders.

(ii) Pursuant to the resolution of the board of directors on 22 March 2017, a final dividend in respect of the year ended 31 December 2016 of RMB0.167 (tax inclusive) per share, amounting to a total dividend of RMB149,939,280, is to be proposed at the annual general meeting on 26 May 2017. These financial statements do not reflect this dividend payable.

9 DEFERRED INCOME TAX ASSETS

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
Deferred income tax assets:		
– to be recovered after more than 12 months	**14,088**	12,131
– to be recovered within 12 months	**3,130**	2,539
	17,218	14,670

The movement in deferred income tax assets of the Group is as follows:

Deferred income tax assets	**Provisions for impairment losses**	**Accrued expenses**	**Others**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2015	13,445	2,743	2,489	18,677
Charged to statement of comprehensive income	(3,239)	(262)	(506)	(4,007)
At 31 December 2015	10,206	2,481	1,983	14,670
Credited to statement of comprehensive income	3,372	649	(1,473)	2,548
At 31 December 2016	13,578	3,130	510	17,218

10 ACCOUNTS RECEIVABLE

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
Trade receivables, gross *(note(a))*	**1,066,012**	803,817
Less: provision for impairment	**(85,445)**	(63,470)
	980,567	740,347
Notes receivable *(note (b))*	**8,443**	13,028
	989,010	753,375

Notes:

(a) The ageing analysis, based on invoice date (or date of revenue recognition, if earlier), of trade receivables past due but not impaired is as follows:

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
Current to 1 year	**801,076**	652,559
1 to 2 years	**175,682**	70,339
2 to 3 years	**32,083**	39,696
Over 3 years	**42,520**	26,522
	1,051,361	789,116

The individually impaired receivables mainly relate to some welding products customers, which are under litigation with the Company or in significant financial difficulties. It was assessed that all of the receivables may not to be recovered and the Company had made full provision for these receivables. No credit terms are specified in sales contracts signed with these customers. The ageing of these impaired receivables is as follows:

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
Current to 1 year	**–**	7,439
1 to 2 years	**7,439**	–
2 to 3 years	**–**	569
Over 3 years	**7,212**	6,693
	14,651	14,701

The provision of impairment of collectively assessed receivables are as follows:

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
Current to 1 year	**16,023**	13,052
1 to 2 years	**17,569**	7,034
2 to 3 years	**9,625**	11,908
Over 3 years	**27,577**	16,775
	70,794	48,769

For the year ended 31 December 2015 and 2016 movement on the provision for impairment of trade receivables is as follows:

	RMB'000
As at 1 January 2015	49,935
Provision for impairment	13,535
As at 31 December 2015	63,470
Provision for impairment	21,975
As at 31 December 2016	85,445

(b) Substantially all notes receivable are bank acceptance notes with average maturity periods of within six months.

(c) Substantially all accounts receivable are denominated in RMB and their carrying amounts approximate to fair values.

(d) As at 31 December 2016, the Company factored receivables of RMB147,347,000 (31 December 2015: RMB89,013,000) (the "**Factored Receivables**") to banks for cash under receivables purchase agreements. As the Company still retained the risks associated with the default and delay in payment by the customers, the financial asset derecognition conditions as stipulated in IAS 39 have not been fulfilled. Accordingly, the proceeds from the factoring of trade receivables have been accounted for as the Group's liabilities and included in "bank advances for factored receivables".

(e) The creation and release of provision for impaired receivables have been included in 'General and administrative expenses' in the consolidated income statements.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above.

11 ACCOUNTS PAYABLE

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
Trade payables to associate and other related parties	**68,249**	5,536
Trade payables to third-parties	**160,212**	169,382
Notes payable	**30,232**	14,158
	258,693	189,076

Aging analysis, based on invoice dates, of trade payables is as follows:

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
Current to 1 year	**195,964**	163,365
1 year to 2 years	**26,733**	6,989
2 years to 3 years	**2,360**	1,912
Over 3 years	**3,404**	2,652
	228,461	174,918

MANAGEMENT DISCUSSION AND ANALYSIS

Industrial Review and Analysis

2016 was the first year of the state's "13th Five Year Plan", which was China's critical stage of building a moderately prosperous society, and also a key 5 years for the reform and development of China's railway. Under the new norm of economic development, acceleration in the standardized construction of railway system would play an important role as technical support to the transformation and upgrading the business, protection of people's lives and properties and establishment of new pattern for the open economy. Looking back at China's railway development, the scope of railway network was under rapid expansion; a larger number high-speed railways have commenced operation; new technologies and equipment were widely applied; the requirements for the standardization has been raised and the strategies of standardization have been implemented. These are the key points of facilitating the reform and development of railway and implementation of "Going Global" of China's railway.

According to the Conference Meeting of China Railway Corporation for 2016, fixed asset investment on national railways for the year 2016 amounted to RMB801.5 billion, which was close to the scale of around RMB800.0 billion for the recent years. The mileage of new railway line was 3,218 km, and the number of newly-commenced projects was 46. The new investments amounted to RMB550.0 billion. As at the end of 2016, the total operational mileage of national railways has achieved 124,000 km.

As a series of major strategies in the state's "13th Five Year Plan" were implemented. The development in the middle and western regions would be a new focus for the future railway construction. As at 2020, the investment in railway by the Central Government would achieve RMB3.8 trillion, which would be a massive business opportunity for the Group. Meanwhile, all the railway fasteners must be replaced after using for 8-10 years, which would bring a continuing market demand for the Group in terms of repair and maintenance for all railways, as well as upgrade and replacement for traditional railway, of which the high-speed railway and heavy-haul railways would be the main focus for the future railway construction. Driven by "One Belt and One Road" and "High Speed Railway Diplomacy", there would be more opportunities for the Group in participating overseas infrastructure construction projects.

Business Review

The Group is a leading rail fastening system provider to the PRC railway industry, with the major business focusing on two business segments, including 1) rail fastening system; and 2) flux cored wire products. In 2016, the total revenue of the Group amounted to RMB1,035.4 million, representing an increase of 14.15%.

Rail Fastening System Products

For the year ended 31 December 2016, the revenue from rail fastening system products amounted to RMB958.8 million, representing 92.6% of the Group's total revenue, and an increase of 15.7% when compared to the revenue of this segment over the last year which was amounted to RMB828.4 million. It is attributable to an increase in sales proportion of high speed rail fastening system products which had a higher selling price; and execution of supply agreement of substantial contract sum regarding the high speed rail fasteners with major customers in 2016.

During the Year under Review, cost of sales incurred by rail fastening system products increased, mainly attributable to increase in sales proportion of rail fastening system products, leading to increase in the corresponding cost of sales. However, such increase was partially offset by decrease in steel (as raw material) price. During the period, cost of sales incurred by rail fastening system products increased by 9.5% to RMB503.5 million in 2016 from RMB459.7 million in 2015.

Benefited from increase in sales volume, especially the sales volume of high-speed railway fastening system products with higher gross profit, gross profit of rail fastening system products increased to RMB455.2 million in 2016 from RMB368.7 million in 2015. Gross profit margin increased to 47.5% in 2016 from 44.5% in 2015.

During the Year under Review, the initial value of entering into agreements of supplying rail fastening system amounted to RMB1,238 million, representing an increase of 57.23% when compared to 2015, among which the initial value of entering into agreements of high speed rail fastening system amounted to RMB839 million, representing an increase of 53.51% when compared to 2015; the initial value of entering into agreements of heavy haul rail fastening system amounted to RMB109 million; the initial value of entering into agreements of metro series fastening system amounted to RMB163 million; the initial value of entering into agreements of traditional rail fastening system amounted to RMB127 million. As of 31 December 2016, the backlog of the Group amounted to RMB1,117.7 million (Value-added Tax included).

Under the support from the development plan of national railway network such as the "13th Five Year Plan" and "Mid-to-Long Term Plan of Railway Network" (《中長期鐵路網規劃》), it is expected that the revenue of rail fastening system will have a steady growth.

Flux Cored Wire Products

For the year ended 31 December 2016, the Group's revenue from flux cored wire amounted to RMB68.9 million, represented 6.65% of total revenue of the Group, compared to RMB71.9 million in 2015. The change in revenue was mainly attributable to distress of welding material industry during the Year under Review, leading to decrease in demand, while there was a general decrease in unit price of welding material product industry, leading to decrease in revenue in relation to welding materials.

During the Year under Review, cost of sales incurred by welding products increased by 9.8% to RMB57.3 million in 2016 from RMB52.2 million in 2015, mainly attributable to increase in cost of steel strip (as raw material of welding products), which was partially offset by decrease in sales of welding products.

The Group's revenue incurred by welding products was mainly generated from the sales to private shipbuilding companies and trading companies operating in the shipbuilding industry. The Group expects to continue to collaborate with our existing major customers, and expects such customers to continue to contribute to a significant portion of our flux cored wire products revenue in the future.

PERFORMANCE ANALYSIS AND DISCUSSION

Revenue

The Group's main business operations are manufacturing and sales of rail fastening system. The above business has brought sustained and stable revenue to the Group. In 2016, the total revenue of the Group increased to RMB1,035.4 million from RMB907.0 million in 2015, mainly attributable to the increase in revenue from rail fastening system products.

Revenue generated from rail fastening system products increased by 15.7% to RMB958.8 million in 2016 from RMB828.4 million in 2015, mainly attributable to (i) an increase in sales proportion of high speed rail fastening system products which had a higher selling price; and (ii) execution of supply agreement of substantial contract sum regarding the high-speed rail fasteners with major customers in 2016.

Revenue generated from welding materials decreased by 4.1% to RMB68.9 million in 2016 from RMB71.9 million in 2015. Changes to our welding materials revenue primarily resulted from fluctuations in the sales volume and the selling price of such materials. In turn, our welding materials sales volume and selling price reflected the demand from our main welding material customers, which were primarily private shipbuilding companies and trading companies operating in the shipbuilding industry. The distress of welding material industry in 2016 had led to decrease in demand, while there was a general decrease in unit price of welding material product industry, leading to decrease in revenue in relation to welding materials.

Apart from revenue generated from sales of rail fastening system products and welding materials, the Group also received other operating revenue from sales of raw material, provision of product processing services as well as electricity sales business.

Cost of sales

The Group's cost of sales increased by 9.7% to RMB567.3 million in 2016 from RMB517.1 million in 2015, mainly attributable to the increase in the sales volume of rail fastening system products, the increase in cost of steel strip (as raw material of welding products) and increase in relevant costs.

Cost of sales incurred by rail fastening system products increased by 9.5% to RMB503.5 million in 2016 from RMB459.7 million in 2015, mainly attributable to increase in sales proportion of rail fastening system products, leading to increase in the corresponding cost of sales.

Cost of sales incurred by welding products increased by 9.8% to RMB57.3 million in 2016 from RMB52.2 million in 2015, mainly attributable to increase in cost of steel strip (as raw material of welding products), which was partially offset by decrease in sales of welding products.

Gross profit

Based on the aforesaid reasons, the Group recorded gross profit of RMB468.1 million in 2016, representing an increase of 20.0% from RMB390.0 million in the corresponding period in 2015, which was mainly attributable to (i) increase in gross profit of rail fastening system products; and (ii) partially offset by the decrease in gross profit of welding products.

Gross profit of rail fastening system products increased to RMB455.2 million in 2016 from RMB368.7 million in the corresponding period in 2015. Gross profit margin increased to 47.5% in 2016 from 44.5% in the corresponding period in 2015, mainly attributable to increase in sales volume, especially the sales volume of high-speed railway fastening system products with higher gross profit, in 2016.

Gross profit of welding products decreased by 41.1% to RMB11.6 million in 2016 from RMB19.7 million in the corresponding period in 2015. Gross profit margin decreased to 16.8% in the corresponding period in 2016 from 27.4% in 2015, mainly attributable to (i) the decrease of 4.1% in sales revenue of welding products; and (ii) the partial offset of cost by increase in costs of raw material of welding products.

Selling and distribution expenses

Selling and distribution expenses of the Group decreased to RMB48.7 million in 2016 from RMB50.5 million in 2015. For the years ended 31 December 2015 and 2016, selling and distribution expenses as a percentage of total revenue were 5.6% and 4.7%, respectively. Decrease in selling and distribution expenses was mainly attributable to the decrease in transportation and warehouse expenses, employee benefit costs and other costs.

General and administrative expenses

General and administrative expenses of the Group increased by 19.5% to RMB64.7 million in 2016 from RMB54.1 million in 2015. For the years ended 31 December 2015 and 2016, general and administrative expenses as a percentage of total revenue were 6.0% and 6.3%, respectively. During the Reporting Period, the increase in general and administrative expenses as a percentage of total revenue was mainly attributable to (i) increase in both provision of impairment of receivables and depreciation and amortization; and (ii) increase in the listing expense due to the initial public offering of the Company.

Operating profit

Based on the aforesaid reasons, the Group recorded operating profit of RMB358.1 million in 2016, representing an increase of 24.5% from RMB287.5 million in the corresponding period in 2015, mainly attributable to increase in operating profit of rail fastening system products.

Finance charges

In 2016, the Group incurred total net finance charges of RMB14.4 million, representing a decrease of 27.1% from total net finance charges of RMB19.8 million in 2015, of which the finance income increased by 67.0% to RMB1.9 million from RMB1.1 million in 2015, and finance charges decreased by 22.0% to RMB16.3 million from RMB20.9 million in 2015. Decrease in finance charges was mainly attributable to the decrease in loan interest rate.

In 2016, the Group realized foreign exchange losses of RMB0.13 million; the loss was mainly derived from the process of converting Hong Kong dollar to RMB as a result of the proceeds obtained from the initial public offering of the Company.

Share of profit of an associate

In 2016, the Group's share of profits of an associate was RMB11.1 million, representing an increase of 45.9% from RMB7.6 million in the corresponding period in 2015 which was mainly attributable to increase in profit of the associate incurred by increase in its revenue.

Income tax

Income tax expenses of the Group increased by 3.2% to RMB48.9 million in 2016 from RMB47.4 million in 2015, mainly attributable to the increase in taxable income.

The applicable corporate tax rates for the Company were 15.0% for 2016 and 2015.

Net profit

Based on the aforesaid reasons, net profit increased of RMB77.9 million or approximately 34.1% to RMB305.9 million for the year ended 31 December 2016 from RMB228.0 million for the year ended 31 December 2015. The net profit margin increased to 29.5% for the year ended 31 December 2016 from 25.1% for the year ended 31 December 2015, which was attributable to (i) increase in gross profit margin; (ii) decrease in finance costs; and (iii) increase in investment income.

Profit attributable to equity holders of the Company

The Group recorded profit attributable to equity holders of the Company of RMB305.9 million in 2016, representing an increase of 34.1% from RMB228.0 million in 2015. Basic earnings per share amounted to RMB0.45 in 2016, representing an increase of approximately 32.4% from the basic earnings per share of RMB0.34 in 2015. The increase in profit attributable to equity holders was attributable to the increase in net profit of the Group in 2016.

Financial resources and capital structure

As at 31 December 2016, the Group had cash and cash equivalents of RMB649.4 million, accounts receivable of RMB989.0 million, accounts payable of RMB258.7 million, and outstanding borrowings of RMB371.4 million. The above cash and cash equivalents denominated in RMB included RMB579.6 million equivalents of Hong Kong dollars as at 31 December 2016.

As at 31 December 2015, the Group had cash and cash equivalents of RMB85.5 million, accounts receivable of RMB753.4 million, accounts payable of RMB189.1 million, and outstanding borrowings of RMB269.2 million.

The Group usually satisfied its daily working capital requirements through self-owned cash and short-term borrowings. In December 2016, the Company completed the listing on the main board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and issued a total of 224,460,000 shares. As at 31 December 2016, the outstanding borrowings of the Group included short-term borrowings and long-term borrowings of RMB351.4 million and RMB20.0 million, respectively. The Group will promptly repay the aforesaid borrowings at maturity.

Total assets

As at 31 December 2016, the total assets of the Group were RMB2,378.8 million, representing an increase of RMB1,011.9 million or approximately 74.0% as compared with that as at 31 December 2015, mainly attributable to (i) the increase in cash and cash equivalents as a result of receipt of proceeds from listing; (ii) increase in accounts receivable as a result of increase in revenue; and (iii) increase in land use right of intangible assets as a result of acquisition of land.

Total liabilities

As at 31 December 2016, the total liabilities of the Group were RMB741.2 million, representing an increase of RMB213.1 million or approximately 40.3% as compared with that as at 31 December 2015, mainly attributable to (i) increase in bank borrowings; and (ii) increase in accounts payable.

Total equity

As at 31 December 2016, the total equity of the Group was RMB1,637.6 million, representing an increase of RMB798.9 million as compared with that as at 31 December 2015, mainly attributable to the proceeds raised as a result of successful listing on the main board of the Stock Exchange in 2016. The total number of shares issued in the issuance was 224,460,000, based on its nominal value of RMB0.5 per share. The trade price was HK$3 per share and proceeds was HK$673.4 million (equivalent to RMB602.5 million), among which RMB112.3 million was credited to the share capital. The capital reserve was increased by RMB446.0 million after deducting the listing expenses. In 2016, the amount of transferring to statutory reserves was approximately RMB30.0 million, while the other comprehensive income incurred from the change in fair value of funds was RMB7.9 million.

Gearing ratio

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current bank borrowings, other borrowings and current and non-current finance lease liabilities as shown in the consolidated statements of financial position) less cash and cash equivalents. Total capital is calculated as "total equity" as shown in the consolidated statements of financial position plus net debt.

As at 31 December 2016, the Group's gearing ratio was –20%, representing a decrease of 38 percentage points from 18% as at 31 December 2015, mainly attributable to the significant increase in cash and cash equivalents as a result of proceeds from listing.

Employee and remuneration policies

As at 31 December 2016, the Group incurred total staff costs of RMB62.6 million, representing a decrease of RMB1.1 million or approximately 1.7%, mainly attributable to (i) the decrease in number of employees of the Group; and (ii) the increase of contribution base of social insurance and housing provident fund.

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

Future Prospects

According to the state's "Mid-to-Long Term Plan of Railway Network" (中長期鐵路網規劃), the high speed railway network shall be expanded with the addition of high-speed railways with supporting passenger flow, applicable standards and development requirements based on "Four Horizontal and Four Vertical High-speed Railway Corridors". The existing railways should be fully utilized to form a high speed railway network that uses "Eight Horizontal and Eight Vertical High-speed Railway Corridors" as a framework, is linked by regional connecting lines and is supplemented with intercity railways. By virtue of the expanding production capacity and rich of industrial experiences, the Group shall seize the massive business opportunities, by focusing mainly on the high speed railway fastening system, and continuing to increase its market share in heavy haul rail fastening system, urban transit fastening system and traditional rail fastening system at the same time. The Group shall actively expand the customer base and reinforce the Group's leading position in the industry of rail fastening system.

In 2017, the Group will continue to enhance our automated production process and information system, establish an efficient automated production line, further enhance the production process and efficiency, in order to reduce the costs and increase the profit. Moreover, the Group will continue to actively explore the opportunities of acquiring high quality assets in relation to the rail fastening system in order to enhance the core competitiveness and profitability of the Group.

Looking for the future, the Group will continue to focus on rail fastening system and provide professional products and services for railway in China.

EVENTS AFTER PERIOD

After the Reporting Period and up to the date of the announcement, there is no significant event occuring.

USE OF PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

As of 31 December 2016, the proceeds from the initial public offering of the H shares of the Company listed on the main board of the Stock Exchange on 21 December 2016 remained unused. The directors of the Company (the "**Directors**") have placed such proceeds in short term demand deposits with banks in the PRC and/or through money market instruments. In 2017, the proceeds will be put into use successively by the Company based on the strategies of operation and development as well as the conditions of the capital market in accordance with the proposed application set out in the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated 9 December 2016.

PUBLIC FLOAT

Based on the publicly available information to the Company, so far as to the Directors' knowledge, no less than 25% of the shares of the Company in issue are held by the public for the year ended 31 December 2016, according to the requirement of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

ANNUAL GENERAL MEETING

The Annual General Meeting (the "**AGM**") will be held on Friday, 26 May 2017. Shareholders should refer to details regarding the AGM in the notice of AGM, reply slip and form of proxy to be despatched by the Company.

FINAL DIVIDEND

The Board resolved to recommend the payment of a final dividend of RMB0.167 (tax inclusive) per share for the year ended 31 December 2016 (the "**2016 Final Dividend**") with an aggregate net amount of approximately RMB149,939,280 to Shareholders of the Company whose names are listed on the Company's register of members as at 9 June 2017 in the forthcoming AGM to be held on 26 May 2017. Once the relevant resolution is passed in the AGM, the 2016 Final Dividend is expected to be paid on or around 14 July 2017.

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

According to the Articles of Association, dividends will be denominated and declared in Renminbi. Dividends on Domestic Shares will be paid in Renminbi and dividends on H shares will be paid in foreign currencies. The relevant exchange rate will be the average middle exchange 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 law and relevant requirements under taxation regulatory institutions of the PRC, the Company is required to withhold 10% enterprise income tax when it distributes the final dividend for the year 2016 to all non-resident enterprise shareholders (including HKSCC Nominees Limited, other nominees, trustees or other entities and organisations, who will be deemed as non-residents enterprise shareholders) whose names appear on the H share register of members of the company on Friday, 9 June 2017.

Pursuant to the "Notice on the Tax Policies Related to the Pilot Program of the Shanghai-Hong Kong stock exchanges connectivity mechanism" (《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》) (Cai Sui [2014] No. 81) (the "**Shanghai-Hong Kong Stock Connect Tax Policy**") jointly issued by the Ministry of Finance of the PRC, the State Administration of Taxation 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 share 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 relevant tax for such corporate investors. The tax payable shall be reported and paid by the enterprises themselves.

As such, when distributing the 2016 Final Dividend to the domestic corporate investors as the holders of H shares of the Company whose names appear on the register of shareholders of the Company on Friday, 9 June 2017 provided by China Securities Depository and Clearing Corporation Limited ("**China Clearing**"), the Company shall not withhold tax on dividend for the 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 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 Notice on Matters Concerning the Levy and Administration of Individual Income Tax After the Repeal of Guo Shui Fa [1993] No.045 of the State Administration of Taxation (國家稅務總局關於國稅發[1993]045號文件廢止後有關個人所得稅征管問題的通知), the Shanghai-Hong Kong Stock Connect Tax Policy 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 individual income tax for the Company's individual non-resident H shareholders whose names appear on the register of H shares 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 and pay individual income tax at a rate of 20% on behalf of the investors. For dividends received by domestic securities investment funds from the investment in shares listed on the Stock Exchange through Shanghai-Hong Kong Stock Connect, the income tax payable shall follow the same requirements in respect of domestic individual investors.

As such, when distributing the 2016 Final Dividend to the domestic individual investors (including domestic securities investment funds) as the holders of H shares of the Company whose names appear on the register of shareholders of the Company on Friday, 9 June 2017 provided by China Clearing, 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號文件廢止後有關個人所得稅徵管問題的通知》) issued by the State Administration of Tax 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 in the tax arrangements between the countries where they reside and China and the tax arrangements between China mainland and Hong Kong (Macau). The Company will identify the country of domicile of Individual H Shareholders according to their registered address on the H share register of members of the Company on Friday, 9 June 2017 (the "**Registered Address**"). The Company assumes no responsibility and disclaims all 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 arrangements are as follows:

- For individual holders of H shares who are Hong Kong or Macau residents or whose country (region) of domicile is a 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 holders of H shares in the distribution of the final dividend;

- For individual holders of H shares whose country (region) of domicile is 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 holders of H shares in the distribution of the final dividend. If relevant individual holders of H shares 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 relevant tax treaties according to the Tax Notice (《稅收通知》). Qualified shareholders please submit in time 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. The Company will then submit the above documents to competent tax authorities and, after their examination and if and when approved, the Company will assist in refunding the excess amount of tax withheld and paid;

- For individual holders of H shares whose country (region) of domicile is 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 holders of H shares in the distribution of the final dividend; and

- For individual holders of H shares whose country (region) of domicile is 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 holders of H shares in the distribution of the 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 additional amount of tax finally withheld and paid, the Individual H Shareholder shall notify and provide relevant supporting documents to the Company on or before Friday, 9 June 2017. Upon examination of the supporting documents by the relevant tax authorities, the Company will follow the guidance given by the tax authorities to implement relevant tax withholding provisions and arrangements. Individual H Shareholders may either personally or appoint a representative to attend to the procedures in accordance with the requirements under the Tax Treaties Notices if they do not provide the relevant supporting documents to the Company within the time period stated above.

Shareholders are recommended to consult their tax advisers regarding 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 of the Company to be held on Friday, 26 May 2017, the register of members of the Company will be closed from Wednesday, 26 April 2017 to Friday, 26 May 2017, 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 Friday, 26 May 2017 are entitled to attend and vote at the AGM. In order for holders of H shares of the Company to qualify for attending and voting at the AGM, all transfer documents accompanied by the relevant H share certificates must be lodged 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. (Hong Kong Time) on Tuesday, 25 April 2017 for registration.

In order to determine the list of shareholders who are entitled to receive the Final Dividend, the register of members of the Company will be closed from Saturday, 3 June 2017 to Friday, 9 June 2017, 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 Friday, 9 June 2017 are entitled to receive the Final Dividend. In order for holders of H shares of the Company to qualify for the Final Dividend payment, all transfer documents accompanied by the relevant H share certificates must be lodged 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. (Hong Kong Time) on Friday, 2 June 2017 for registration.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

The Company and its subsidiaries did not purchase, sell or redeem any of the listed securities of the Company during the year ended 31 December 2016.

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 complied with all code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules throughout the period from 21 December 2016 (Listing Date) to 31 December 2016.

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 of the Listing Rules as the code of conduct regarding securities transactions of the Company by the Directors and supervisors of the Company. Upon making specific enquiries to all of the Directors and supervisors of the Company, all Directors and supervisors of the Company confirmed that throughout the period from 21 December 2016 (Listing Date) to 31 December 2016, each of the Directors and supervisors of the Company 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 income statement, consolidated statement of comprehensive income and consolidated statement of financial position, and the related notes thereto for the year ended 31 December 2016 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, Certified Public Accountants ("PricewaterhouseCoopers"), to the amounts set out in the Group's audited consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by PricewaterhouseCoopers in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the auditor.

AUDIT COMMITTEE

The audit committee of the Company has reviewed the Group's annual results for the year ended 31 December 2016 prepared in accordance with the IFRSs.

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 2016 annual report containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company 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, PRC, 22 March 2017

As at the date of this announcement, the Board of the Company comprises Mr. Zhang Haijun, Mr. Zhang Ligang, Mr. Wu Jinyu, Mr. Zhang Lihuan, Mr. Zhang Chao and Ms. Fan Xiulan as the executive Directors; and Mr. Jip Ki Chi, Mr. Wang Qi and Mr. Zhang Liguo as the independent non-executive Directors.

* *For identification purposes only*