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

* For identification purpose only

INTERIM REPORT 2017

CONTENTS

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Zhang Haijun *(Chairman)*
Mr. Zhang Ligang *(Chief Executive Officer)*
Mr. Wu Jinyu
Mr. Zhang Lihuan
Mr. Zhang Chao
Ms. Fan Xiulan

Independent Non-executive Directors

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

SUPERVISORS

Mr. Zhang Xiaosuo *(Chairman)*
Ms. Liu Jiao
Mr. Zhou Encheng

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

CORPORATE GOVERNANCE COMMITTEE

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

JOINT COMPANY SECRETARIES

Ms. Lo Yee Har Susan (FCS (PE), FCIS)
Mr. Zhang Chao

AUTHORIZED REPRESENTATIVES

Mr. Zhang Haijun
Ms. Lo Yee Har Susan

ALTERNATES TO THE AUTHORIZED REPRESENTATIVES

Ms. Fan Xiulan
Mr. Zhou Encheng

AUDITOR

PricewaterhouseCoopers,
Certified Public Accountants

Corporate Information

COMPLIANCE ADVISER
BOCOM International (Asia) Limited

HONG KONG LEGAL ADVISER
Chiu & Partners

PRC LEGAL ADVISER
Jingtian & Gongcheng

REGISTERED OFFICE AND HEADQUARTERS
No. 1 Yichen North Street
Gaocheng District
Shijiazhuang City
Hebei Province
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

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

STOCK CODE
1596

WEBSITE
http://www.hbyc.com.cn

INVESTOR AND MEDIA RELATIONS CONSULTANT
iPR Ogilvy Ltd
Tel: 852 2136 6185
Fax: 852 3170 6606
E-mail: yichen@iprogilvy.com

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME

For the six months ended 30 June 2017

	Note	For the six months ended 30 June	
		2017	2016
		RMB'000	*RMB'000*
		(Unaudited)	(Audited)
Revenue	5	**525,591**	521,949
Cost of sales	5	**(310,430)**	(282,403)
Gross profit		**215,161**	239,546
Selling and distribution expenses		**(24,970)**	(23,812)
General and administrative expenses		**(27,412)**	(28,967)
Other (losses)/gains, net		**(10,422)**	2,909
Operating profit		**152,357**	189,676
Finance income		**312**	1,165
Finance costs		**(10,105)**	(8,826)
Finance costs, net	5	**(9,793)**	(7,661)
Share of profits of an associate	7	**1,432**	2,745
Profit before income tax		**143,996**	184,760
Income tax expense	14	**(17,690)**	(27,609)
Profit for the period		**126,306**	157,151
Attributable to:			
Equity holders of the Company		**126,306**	157,151
Non-controlling interests		**–**	–
		126,306	157,151
Basic and diluted earnings per share for profit attributable to equity holders of the Company (RMB)	15	**0.14**	0.23

The notes on pages 11 to 27 are an integral part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2017

	For the six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Profit for the period	**126,306**	157,151
Other comprehensive income:		
Item that may be reclassified to statement of income:		
Change in fair value of available-for-sale financial assets	**2,151**	–
Total comprehensive income for the period	**128,457**	157,151
Attributable to:		
Equity holders of the Company	**128,457**	157,151
Non-controlling interests	**–**	–
Total comprehensive income for the period	**128,457**	157,151

The notes on pages 11 to 27 are an integral part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	Note	As at 30 June 2017 *RMB'000* (Unaudited)	As at 31 December 2016 *RMB'000* (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	6	179,598	110,087
Lease prepayment for land use rights	6	136,097	136,329
Intangible assets	6	96	111
Investments in an associate	7	52,617	51,185
Deferred income tax assets	8	17,412	17,218
Other receivables and prepayments (Non-current portion)		11,060	7,464
		396,880	322,394
Current assets			
Available-for-sale financial assets		177,020	136,869
Inventories		236,256	170,935
Accounts receivable	9	1,347,584	989,010
Advances to suppliers		10,171	47,387
Other receivables and prepayments (Current portion)		16,925	17,903
Restricted cash		61,806	44,824
Cash and cash equivalents		351,456	649,436
		2,201,218	2,056,364
Total assets		2,598,098	2,378,758

Interim Condensed Consolidated Statement of Financial Position *(Continued)*

As at 30 June 2017

	Note	**As at 30 June 2017 *RMB'000* (Unaudited)**	As at 31 December 2016 *RMB'000* (Audited)
EQUITY			
Capital and reserves attributable to equity holders			
Share capital	10	**448,920**	448,920
Other reserves		**882,724**	880,573
Retained earnings		**284,430**	308,063
		1,616,074	1,637,556
Non-controlling interests		**–**	–
Total equity		**1,616,074**	1,637,556
LIABILITIES			
Non-current liabilities			
Bank borrowings	11	**10,000**	20,000
Deferred income from government grants		**5,990**	6,106
		15,990	26,106
Current liabilities			
Accounts payable	12	**399,366**	258,693
Advances from customers		**11,704**	10,343
Other payables and accruals		**100,217**	92,465
Current income tax liabilities		**3,840**	2,185
Bank borrowings	11	**300,968**	351,410
Dividends payable	16	**149,939**	–
		966,034	715,096
Total liabilities		**982,024**	741,202
Total equity and liabilities		**2,598,098**	2,378,758

The notes on pages 11 to 27 are an integral part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

	Attributable to equity holders of the Company					
	Share capital *RMB'000* (Note 10)	Other reserves *RMB'000*	Retained earnings *RMB'000*	Sub-total *RMB'000*	Non-controlling interests *RMB'000*	Total *RMB'000*
Balance at 1 January 2017 (Audited)	448,920	880,573	308,063	1,637,556	–	1,637,556
Comprehensive income						
Profit for the period	–	–	126,306	126,306	–	126,306
Other comprehensive income						
Change in fair value of available-for-sale financial assets	–	2,151	–	2,151	–	2,151
Total comprehensive income for the period	–	2,151	126,306	128,457	–	128,457
Transactions with owners						
Dividends declared (Note 16)	–	–	(149,939)	(149,939)	–	(149,939)
	–	–	(149,939)	(149,939)	–	(149,939)
Balance at 30 June 2017 (Unaudited)	448,920	882,724	284,430	1,616,074	–	1,616,074

Interim Condensed Consolidated Statement of Changes in Equity *(Continued)*

For the six months ended 30 June 2016

	Attributable to equity holders of the Company					
	Share capital *RMB'000* (Note 10)	**Other reserves** *RMB'000*	**Retained earnings** *RMB'000*	**Sub-total** *RMB'000*	**Non-controlling interests** *RMB'000*	**Total** *RMB'000*
Balance at 1 January 2016 (Audited)	336,690	396,720	105,294	838,704	–	838,704
Total comprehensive income for the period	–	–	157,151	157,151	–	157,151
Transactions with owners						
Dividends paid	–	–	(73,062)	(73,062)	–	(73,062)
	–	–	84,089	84,089	–	84,089
Balance at 30 June 2016 (Audited)	336,690	396,720	189,383	922,793	–	922,793

The notes on pages 11 to 27 are an integral part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2017

	For the six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Cash flows from operating activities		
Cash (used in)/generated from operations	**(58,753)**	157,382
Interest paid	**(10,105)**	(7,331)
Interest received	**312**	658
Income tax paid	**(16,228)**	(27,194)
Net cash (used in)/generated from operating activities	**(84,774)**	123,515
Cash flows from investing activities		
Purchase of property, plant and equipment	**(83,147)**	(3,996)
Purchase of intangible assets	**–**	(35)
Payments for acquisition of land use right	**(1,176)**	(4,885)
Purchase of available-for-sale financial assets	**(38,000)**	–
Proceeds from disposals of property, plant and equipment	**62**	65
Net cash used in investing activities	**(122,261)**	(8,851)
Cash flows from financing activities		
Listing cost paid	**(3,730)**	(5,636)
Proceeds from bank borrowings	**114,468**	226,136
Repayments of bank borrowings	**(174,910)**	(187,816)
Dividends and related withholding tax paid	**(15,002)**	(28,000)
Payments of financing lease fee	**–**	(2,132)
Net cash (used in)/generated from financing activities	**(79,174)**	2,552
Net (decrease)/increase in cash and cash equivalents	**(286,209)**	117,216
Cash and cash equivalents at 1 January	**649,436**	85,541
Exchange losses on cash and cash equivalents	**(11,771)**	–
Cash and cash equivalents at 30 June	**351,456**	202,757

The notes on pages 11 to 27 are an integral part of this interim condensed consolidated financial information.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1 GENERAL INFORMATION

Hebei Yichen Industrial Group Corporation Limited (the "**Company**"), together with its subsidiaries (collectively referred to as the "**Group**"), principally engaged in manufacturing and sale of rail fastening system products and welding materials in the People's Republic of China (the "**PRC**").

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

The Company was incorporated in the PRC on 9 April 2001 and was transformed into a joint stock company on 26 November 2015 in preparation for listing of H shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Listing**"). On 21 December 2016, the Company completed its global public offering of shares ("**Global Offering**") 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.

This interim condensed consolidated financial information for the six months ended 30 June 2017 ("**Condensed Financial Information**") is presented in thousands of Renminbi Yuan ("**RMB**"), unless otherwise stated, and is approved for issue by the Board of Directors on 25 August 2017.

This Condensed Financial Information has not been audited.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

2.1 Basis of preparation

This Condensed Financial Information has been prepared in accordance with International Accounting Standard ("**IAS**") 34, "Interim financial reporting". The Condensed Financial Information should be read in conjunction with the annual financial statements for the year ended 31 December 2016, which have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**").

2.2 Accounting policies

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2016,as described in those annual financial statements except for the adoption of amendments for IFRSs effective for the financial year ending 31 December 2017.

(a) Change effective for annual periods beginning on 1 January 2017.

Amendments to IFRSs effective for the financial year ending 31 December 2017 do not have material impact on the Group.

(b) Impacts of standards issued but not yet applied by the Group.

Notes to the Interim Condensed Consolidated Financial Information

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES *(Continued)*

2.2 Accounting policies *(Continued)*

(b) Impacts of standards issued but not yet applied by the Group. (Continued)

- IFRS 9 'Financial Instruments'

  IFRS 9 'Financial Instruments' addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The standard does not need to be applied until 1 January 2018 but is available for early adoption. The Group is currently assessing whether it should adopt IFRS 9 before its mandatory date. 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.

- IFRS 15 'Revenue from contracts with customers'

  The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers revenue arising from the sale of goods and the rendering of services and IAS 11 which covers construction contracts.

  The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

  The standard permits either a full retrospective or a modified retrospective approach for the adoption. The new standard is effective for first interim periods within annual reporting periods beginning on or after 1 January 2018, and will allow early adoption.

  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'

  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 does not plan to early adopt IFRS 16. Based on the Group's undiscounted operating lease commitment of RMB1,148,000 as at 30 June 2017, as set out in note 17(b), the management expects IFRS 16 will not have significant impact on the financial position and financial performance of the Group.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES *(Continued)*

2.2 Accounting policies *(Continued)*

(c) Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

3 ESTIMATES

The preparation of the Condensed Financial Information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing the Condensed Financial Information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2016.

4 FINANCIAL RISK MANAGEMENT

4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk.

The Condensed Financial Information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2016.

There has been no changes in the risk management policy since year end.

4.2 Liquidity risk

The tables below analyse the Group's financial liabilities into relevant maturity groupings based on the remaining period at statements of financial position date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

	Less than 1 year *RMB'000*	1-2 years *RMB'000*	2-5 years *RMB'000*	Over 5 years *RMB'000*	Total *RMB'000*
At 30 June 2017 (Unaudited)					
Bank borrowings	307,816	600	10,459	–	318,875
Accounts payable	399,366	–	–	–	399,366
Other payables and accruals (exclude payroll)	96,290	–	–	–	96,290
At 31 December 2016 (Audited)					
Bank borrowings	358,512	20,167	–	–	378,679
Accounts payable	258,693	–	–	–	258,693
Other payables and accruals (exclude payroll)	88,295	–	–	–	88,295

Notes to the Interim Condensed Consolidated Financial Information

4 FINANCIAL RISK MANAGEMENT *(Continued)*

4.3 Fare value estimation

The table below analyses the Group's financial instruments carried at fair value as at 30 June 2017 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's financial assets that are measured at fair value.

	Level 1 *RMB'000*	Level 2 *RMB'000*	Level 3 *RMB'000*	Total *RMB'000*
Assets Financial assets at fair value through equity				
At June 30, 2017 (Unaudited)	**–**	**–**	**177,020**	**177,020**
At December 31,2016 (Audited)	–	–	136,869	136,869

There were no change in valuation techniques during the period.

5 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

5 SEGMENT INFORMATION *(Continued)*

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 six months ended 30 June 2017(Unaudited)	**Rail fastening system products** *RMB'000*	**Welding materials** *RMB'000*	**Others** *RMB'000*	**Total** *RMB'000*
Total revenue	470,842	53,024	1,725	525,591
Inter-segment revenue	–	–	–	–
Revenue from external customers	470,842	53,024	1,725	525,591
Total cost of sales	259,600	49,630	1,200	310,430
Segment gross profit	211,242	3,394	525	215,161
Other profit & loss disclosure:				
Depreciation and amortization	5,708	1,310	3,549	10,567
Provisions for/(reversal of) impairment of receivables	13,587	(7,847)	180	5,920
Finance costs, net	–	–	9,793	9,793

For the six months ended 30 June 2016 (Audited)	Rail fastening system products *RMB'000*	Welding materials *RMB'000*	Others *RMB'000*	Total *RMB'000*
Total revenue	486,182	33,209	2,558	521,949
Inter-segment revenue	–	–	–	–
Revenue from external customers	486,182	33,209	2,558	521,949
Total cost of sales	253,804	26,096	2,503	282,403
Segment gross profit	232,378	7,113	55	239,546
Other profit & loss disclosure:				
Depreciation and amortization	5,614	1,333	2,632	9,579
Provisions for impairment of receivables	7,122	428	308	7,858
Finance costs, net	–	–	7,661	7,661

Notes to the Interim Condensed Consolidated Financial Information

5 SEGMENT INFORMATION *(Continued)*

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 periods are as follows:

	For the six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Segment gross profit	**215,161**	239,546
Selling and distribution expenses, general and administrative expenses and finance costs, net	**(62,175)**	(60,440)
Other (losses)/gains, net	**(10,422)**	2,909
Share of profits of associate, net	**1,432**	2,745
Profit before income tax	**143,996**	184,760
Income tax expense	**(17,690)**	(27,609)
Profit for the period	**126,306**	157,151

For the six months ended 30 June 2017 and 2016, over 95% of the Group's revenue are generated in China.

6 PROPERTY, PLANT AND EQUIPMENT, LEASE PREPAYMENT FOR LAND USE RIGHTS AND INTANGIBLE ASSETS

	Property, plant and equipment *RMB'000*	Lease prepayments for land use rights *RMB'000*	Intangible assets *RMB'000*
Net book amount at 1 January 2017 (audited)	**110,087**	**136,329**	**111**
Additions	**78,853**	**1,176**	**–**
Disposals (Note iii)	**(198)**	**–**	**–**
Depreciation/amortization	**(9,144)**	**(1,408)**	**(15)**
Net book amount at 30 June 2017 (unaudited)	**179,598**	**136,097**	**96**
Net book amount at 1 January 2016 (audited)	117,046	97,811	177
Additions	3,996	–	35
Disposals	(225)	–	–
Depreciation/amortization	(8,502)	(998)	(79)
Net book amount at 30 June 2016 (audited)	112,315	96,813	133

Notes:

(i) Buildings with net book value of RMB41,156,000 and RMB32,354,000 were pledged as collateral under borrowing agreements at 30 June 2017 and 31 December 2016, respectively (Note 11).

(ii) As at 30 June 2017, lease prepayment for land use rights with net book value of RMB89,967,000 (As at 31 December 2016: RMB136,329,000) were pledged as securities for bank borrowings (Note 11).

(iii) The disposals were disposals of scrapped machineries and equipments, and the net loss of these disposals were RMB157,352.

7 INVESTMENTS IN ASSOCIATE

	For the six months ended 30 June	
	2017 **RMB'000** **(Unaudited)**	2016 *RMB'000* (Audited)
At 1 January	**51,185**	40,113
Share of profits for the period	**1,432**	2,745
At 30 June	**52,617**	42,858

Notes to the Interim Condensed Consolidated Financial Information

7 INVESTMENTS IN ASSOCIATE *(Continued)*

As at 30 June 2017 the carrying amount of the Group's interest was RMB52,617,000 (31 December 2016: RMB51,185,000). Hebei Tieke Yichen New Material Technology Co., Ltd ("Tieke Yichen") is a private company and there is no quoted market price available for its shares.

There are no contingent liabilities relating to the Group's interest in the associate.

The Group's share of the results in Tieke Yichen and its aggregated assets and liabilities are show below:

	Tieke Yichen	
	As at 30 June 2017	As at 31 December 2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Assets	**133,181**	124,943
Liabilities	**25,799**	20,484

	For the six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue	**59,565**	73,921
Net profit	**2,922**	5,602
Share of profit	**1,432**	2,745
Percentage held	**49%**	49%

8 DEFERRED INCOME TAX ASSETS AND LIABILITIES

	For the six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Opening balance at 1 January	**17,218**	14,670
Credited to statement of income	**194**	1,994
Ending balance at 30 June	**17,412**	16,664

9 ACCOUNTS RECEIVABLE

	As at 30 June 2017 ***RMB'000*** **(Unaudited)**	As at 31 December 2016 *RMB'000* (Audited)
Trade receivables, gross (note (a))	**1,357,098**	1,066,012
Less: provision for impairment	**(91,365)**	(85,445)
	1,265,733	980,567
Notes receivable (note (b))	**81,851**	8,443
	1,347,584	989,010

(a) The ageing analysis, based on invoice date(or date of revenue recognition, if earlier) is as follows:

	As at 30 June 2017 ***RMB'000*** **(Unaudited)**	As at 31 December 2016 *RMB'000* (Audited)
Current to 1 year	**1,082,649**	801,076
Over 1 year and within 2 years	**166,602**	176,552
Over 2 years and within 3 years	**59,972**	34,946
Over 3 years	**47,875**	53,438
	1,357,098	1,066,012

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

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

9 ACCOUNTS RECEIVABLE *(Continued)*

(d) As at 30 June 2017, the Company factored receivables of RMB30,090,000 (31 December 2016: RMB147,347,000) (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" in Note 11.

(e) The creation and release of provision for impaired receivables have been included in "General and administrative expenses" in the interim condensed consolidated statement of income.

10 SHARE CAPITAL

Ordinary shares, issued and fully paid:

	Numbers of shares of RMB0.5 each *('000)*	Share capital *RMB'000*
At 1 January 2017 (Audited)	897,840	448,920
Addition (Note (i))	–	–
At 30 June 2017 (Unaudited)	897,840	448,920
At 1 January 2016 (Audited)	673,380	336,690
Addition (Note (i))	–	–
At 30 June 2016 (Audited)	673,380	336,690

(i) Pursuant to shareholders' resolutions dated 17 November 2015, the then shareholders of the Company approved the conversion of the Company from a limited liability company into a joint stock limited liability company and the adoption of the Company's present name, Hebei Yichen Industrial Group Corporation Limited (河北翼辰實業集團股份有限公司). Pursuant to the founding members agreement dated 18 November 2015 entered into by all the then shareholders of the Company, the share capital of the Company immediately upon the conversion was RMB336,690,000 divided into 336,690,000 shares of RMB1 each, and all the then shareholders of the Company were allotted and issued such number of shares corresponding to the proportion of their respective equity interest in the Company prior to the conversion. The subscription price for these initial shares was based on the net asset value of the Company as at 31 July 2015. The retained earnings as at 31 July 2015 was transferred to the capital and the capital reserve respectively.

On 30 November 2015, the then shareholders of the Company resolved that the share capital of the Company shall be further sub-divided from 336,690,000 shares of RMB1 each to 673,380,000 shares of RMB0.5 each. The sub-division was completed upon the Listing.

(ii) On 21 December 2016, the Company completed its Global Offering by issuing 224,460,000 new shares with nominal value of RMB0.50 each at a price of HK$3.00 per share. Upon the completion of the Listing, the totals shares of the Company are 897,840,000 of RMB0.5 each. The Company's new shares were then listed on the Main Board of the Stock Exchange of Hong Kong.

11 BANK BORROWINGS

	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
Non-Current		
Bank borrowings		
– other bank loans (Note v)	–	20,000
– entrusted loan (Note v)	10,000	–
	10,000	20,000
Current		
Bank borrowings		
– other bank loans (Note i)	215,000	177,500
– entrusted loan (Note ii)	13,400	13,400
– bank advance for factored receivables (Note iii)	22,568	110,510
– unsecured bank borrowings (Note iv)	50,000	50,000
	300,968	351,410
Total bank borrowings	310,968	371,410

Movements in borrowings is analysed as follows:

	Six months ended 30 June	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Audited)
At the beginning of the period	371,410	221,755
Proceeds from bank borrowings	114,468	226,136
Repayment of bank borrowings	(174,910)	(187,816)
At the end of the period	310,968	260,075

Notes to the Interim Condensed Consolidated Financial Information

11 BANK BORROWINGS *(Continued)*

The Group has the following undrawn borrowings facilities:

	June 30 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
– Expiring within 1 year	159,033	98,590

Notes:

(i) As at 30 June 2017, secured bank borrowings of RMB115,000,000 (31 December 2016: RMB77,500,000) are secured by lease prepayment for land use rights and buildings of the Company.

As at 30 June 2017, secured bank borrowings of RMB100,000,000 (31 December 2016: RMB100,000,000) are secured by lease prepayment for land use rights of the Company.

(ii) As at 30 June 2017, the Company has short term entrusted loan of RMB13,400,000 (31 December 2016: RMB13,400,000) from Gaochen City Lianzhou Town Management Service Station (藁城市廉州鎮經濟管理服務站) and the interest rate is fixed at 5.22%.

(iii) As at 30 June 2017, bank advance for factored receivables of RMB22,568,000 (31 December 2016: RMB110,510,000) are under receivable purchase agreement of RMB30,090,000 (31 December 2016: RMB147,347,000).

(iv) As at 30 June 2017, short term bank borrowings of RMB50,000,000 (31 December 2016: RMB50,000,000) are unsecured bank loans for factored accounts payables and bear interest rate of 7.2% per annum.

(v) As at 30 June 2017, the Company has long term entrusted loan, with the maturity date of 4 April 2020, of RMB10,000,000 (31 December 2016: Nil) from Gaochen City Lianzhou Town Management Service Station (藁城市廉州鎮經濟管理服務站), the interest rate is fixed at 6%.

As at 31 December 2016, long term bank borrowing of RMB20,000,000 was secured by lease prepayment for land use rights and buildings of the Company.

12 ACCOUNTS PAYABLE

	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
Trade payables to associate and other related parties	99,493	68,250
Trade payables to third-parties	272,508	160,211
	372,001	228,461
Notes payable	27,365	30,232
	399,366	258,693

12 ACCOUNTS PAYABLE *(Continued)*

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

	As at 30 June 2017 ***RMB'000*** **(Unaudited)**	As at 31 December 2016 *RMB'000* (Audited)
Current to 1 year	**322,186**	195,964
Over 1 year and within 2 years	**40,421**	26,733
Over 2 years and within 3 years	**5,555**	2,360
Over 3 years	**3,839**	3,404
	372,001	228,461

13 OPERATING PROFIT

An analysis of the amounts presented as operating items in the financial informations is given below.

	For the six months ended 30 June	
	2017 ***RMB'000*** **(Unaudited)**	2016 *RMB'000* (Audited)
Depreciation and amortization	**10,567**	9,579
Provisions for impairments on receivables	**5,920**	7,858
Employee benefit costs	**32,813**	31,139
Government grants	**4,116**	2,500
Losses/(gain) on disposal of property, plant and equipment	**157**	(160)

14 INCOME TAX EXPENSE

	For the six months ended 30 June	
	2017 ***RMB'000*** **(Unaudited)**	2016 *RMB'000* (Audited)
Current income tax	**17,884**	29,603
Deferred income tax (Note 8)	**(194)**	(1,994)
	17,690	27,609

14 INCOME TAX EXPENSE *(Continued)*

Income tax expense is recognized based on management's estimate of the annual income tax rate expected for the full financial year. The estimated annual tax rate used for the year ending 31 December 2017 is 15%, as 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 enjoyed the preferential income tax rate of 15%.

15 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 period.

The basic earnings per share for the six months ended 30 June 2016 was calculated based on the profit attributable to the equity holders of the Company and on the assumption that 336,669,000 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 period.

	For the six months ended 30 June	
	2017 *RMB'000* **(Unaudited)**	2016 *RMB'000* (Audited)
Profit attributable to equity holders of the Company	**126,306**	157,151
Weighted average number of ordinary shares in issue (thousands)	**897,840**	673,380
Basic earnings per share (RMB per share)	**0.14**	0.23

There were no potential dilutive ordinary shares for the six months ended 30 June 2016 and 2017. Diluted earnings per share were equal to basic earnings per share.

16 DIVIDENDS

The Board of Directors of the Company did not recommend any interim dividend for the six months ended 30 June 2017(six months ended 30 June 2016, Nil). The dividend of RMB149,939,280 (RMB0.167 (tax inclusive) per share) relating to the year ended 31 December 2016 was approved by the annual general meeting on 26 May 2017 and paid in July 2017.

17 COMMITMENTS

(a) Capital commitments

The Group have the following capital commitments not provided for as at 30 June 2017 and 31 December 2016, respectively.

	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
Property, plant and equipment and lease prepayments for land use rights – contracted but not yet incurred	78,888	4,352

(b) Operating lease commitments

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
Up to 1 year	1,060	1,060
1 to 5 years	88	618
	1,148	1,678

18 RELATED PARTY TRANSACTIONS

The Company does not have any ultimate controlling party. The general information and other related information of the subsidiaries and associate is set out below:

	Relationship with the Group
Hebei Tieke Yichen New Material Technology Co., Ltd (河北鐵科翼辰新材科技有限公司)	Associate
Longji Enterprises Management Co., Ltd (Longji Management) (石家莊市藁城區隆基企業管理有限公司)	Other related parties
TieLong DaoCha Company Limited (Tielong Daocha) (石家莊市鐵龍道岔有限公司)	Other related parties

In addition to the information disclosed elsewhere in the interim condensed consolidated financial information, the following transactions were carried out in the ordinary course of the Group's business and were determined based on mutually agreed terms for each of the six months ended 30 June, 2017 and 2016.

Notes to the Interim Condensed Consolidated Financial Information

18 RELATED PARTY TRANSACTIONS *(Continued)*

(a) Significant transactions with related parties:

	For the six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Sale of goods and materials to		
– Tieke Yichen	**2,614**	2,486
Purchases of goods and materials from		
– Tieke Yichen	**58,492**	43,280
– Tielong Daocha (ii)	**–**	13
Procurement of processing services		
– Longji Management	**2,267**	–
Expense for comprehensive services from and other services		
– Longji Management (i)	**1,055**	1,319
Leasing of properties from (iii)		
– Shareholder	**180**	180
– Longji Management	**350**	350
Key management compensations	**986**	1,037

(i) In July 2015, property, plant and equipment with the net book value of RMB48,333,000 were sold to Longji Management with consideration of RMB52,658,000. Longji Management was established on 8 June 2013 under the laws of the PRC by 4 individuals. They are the spouses of Mr. Zhang Haijun (張海軍), Mr. Zhang Xiaogeng (張小更), Mr. Zhang Xiaosuo (張小鎖), respectively and Ms. Zhang Junxia (張軍霞), one of the shareholder of the Company. After the transaction, the Company entered rental and comprehensive services agreements with Longji Management on 30 November 2015.

(ii) Tielong Daocha, which was established on 18 May 2009 under the laws of the PRC, by Zhang Suoqun (張鎖群), one of the shareholders of the Company. Its scope of business includes manufacture and sale of railway turnout, railway parts, heat treatment equipment and mechanical equipment.

(iii) The Company had leased from Mr. Zhang Haijun (張海軍), an executive director of the Company, certain premises and carpark in Beijing, the PRC, of an aggregate gross floor area of approximately 321.75 square meters for use as dormitory of the Group's employees in Beijing and as carpark. The Company and Mr. Zhang Haijun entered into two tenancy agreements, each for a term of three years, commencing from 1 August 2015 to 31 July 2018, subject to the right of early termination by the Company by giving three-month notice in advance. Both tenancy agreements subsisted during the year ended 31 December 2016. The Company shall have the option to renew the tenancy upon expiry of the current term on normal commercial terms or better terms to the Company or, if there is any third party interested in leasing the premises, the Company shall have the right of first refusal to renew the tenancy on the same terms offered to that third party. Pursuant to the tenancy agreements, the total rental payables by the Company shall be RMB180,000 for the period ended 30 June 2017 and 2016.

The aforementioned related party transactions including procurement of processing services and other service from Longji Management, and leasing of properties from shareholders and Longji Management constitute connected transactions as defined in Chapter 14A of Listing Rules.

18 RELATED PARTY TRANSACTIONS *(Continued)*

(b) Significant balances with related parties are listed below. All the balances were unsecured, interest free and repayment on demand.

	As at 30 June 2017 ***RMB'000*** **(Unaudited)**	As at 31 December 2016 *RMB'000* (Audited)
Assets		
Accounts receivable from		
– Tieke Yichen	**–**	482
– Tielong Daocha	**264**	264
Prepayment to		
– Longji Management	**–**	408
– Shareholder for office rental fee	**30**	–
Liabilities		
Accounts payable to		
– Tieke Yichen	**97,213**	68,137
– Tielong Daocha	**113**	113
– Longji Management	**2,167**	–
Other payable to		
– Shareholder for office rental fee	**–**	360
– Longji Management	**997**	–

19 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

Except for the dividends payment as disclosed in Note 16, no any other significant subsequent events occurred.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

羅兵咸永道

To the board of directors of Hebei Yichen Industrial Group Corporation Limited
(incorporated in the PRC with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 4 to 27, which comprises the interim condensed consolidated statement of financial position of Hebei Yichen Industrial Group Corporation Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2017 and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting". The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 25 August, 2017

PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is a leading rail fastening system products provider to the PRC railway industry, with the major business focusing on two business segments, including 1) rail fastening system; and 2) welding products. For the six months ended 30 June 2017, the total revenue of the Group amounted to RMB525.6 million, representing an increase of 0.7% as compared to the corresponding period last year.

Rail Fastening System Products

For the six months ended 30 June 2017, the revenue from rail fastening system products amounted to RMB470.8 million, accounting for 89.6% of the Group's total revenue, and representing a decrease of 3.2% when compared to the revenue of this segment over the same period last year which was amounted to RMB486.2 million. It was mainly attributable to the decrease of sales volume of rail fastening system products due to the delay of construction progress of some railways under construction.

During the period under review, the cost of sales incurred by rail fastening system products slightly increased by 2.3% from RMB253.8 million in the first half of 2016 to RMB259.6 million in the corresponding period of 2017, which was mainly attributable to the decrease in sales proportion of rail fastening system products which have a higher gross profit margin during the period under review.

As there was a decrease in sales volume of products, especially decrease in sales volume of high speed rail fastening products with higher gross profit, the gross profit of rail fastening system products decreased by 9.1% to RMB211.2 million during the period from RMB232.4 million in the corresponding period of last year. Gross profit margin of rail fastening system products decreased to 44.9% in the first half of 2017 from 47.8% in the first half of 2016.

During the period, the initial value of the Group entering into agreements of supplying rail fastening system amounted to RMB616 million, representing an increase of 48.4% as compared to the corresponding period of last year, among which the initial value of entering into agreements of high speed rail fastening system amounted to RMB424 million, representing an increase of 65.6% as compared to corresponding period of last year; the initial value of entering into agreements of heavy haul rail fastening system amounted to RMB4 million; the initial value of entering into agreements of metro series fastening system amounted to RMB103 million; the initial value of entering into agreements of traditional rail fastening system amounted to RMB85 million. As of 30 June 2017, the backlog of the Group amounted to RMB1,232 million (value-added tax inclusive).

Welding Products

During the six months ended 30 June 2017, the revenue of welding products amounted to RMB53.0 million, representing 10.1% of the total revenue of the Group. Compared to the revenue of RMB33.2 million in the first half of 2016, the significant increase in revenue was mainly attributable to the increase in market demand of welding materials in the first half of 2017, and the Company has some new customers in its welding material business.

The Group's welding products revenue was mainly generated from the sales to private shipbuilding companies and trading companies operating in the shipbuilding industry. During the period, the new customer of the Group was mainly from a shipbuilding company in Jiangsu. The Group will further expand its customer range on the basis of continuous collaboration with its existing major customers.

PERFORMANCE ANALYSIS AND DISCUSSION

Revenue

The Group's main business operations are manufacturing and sales of rail fastening system and welding materials. The above businesses have brought sustained and stable revenue to our Group. Revenue of the Group increased to RMB525.6 million in the first half of 2017 from RMB522.0 million in the first half of 2016, mainly attributable to the increase in revenue from welding materials.

Revenue generated from rail fastening systems products decreased by 3.16% to RMB470.8 million in the first half of 2017 from RMB486.2 million in the first half of 2016, mainly attributable to the delay of construction progress of some railways under construction, leading to a decrease of sales volume of rail fastening system products.

Revenue generated from welding materials increased by 59.7% to RMB53.0 million in the first half of 2017 from RMB33.2 million in the first half in 2016, mainly attributable to the increase in market demand of welding materials in the first half of 2017, and the Company has some new customers in its welding materials business.

Apart from revenue generated from sales of rail fastening system products and welding materials, the Group also generated other operating revenue mainly from sales of raw materials and product processing services.

Cost of Sales

The Group's cost of sales increased by 9.9% to RMB310.4 million in the first half of 2017 from RMB282.4 million in the first half of 2016, mainly attributable to the increase in the sales proportion of welding materials, which have a lower gross profit margin.

Cost of sales incurred by rail fastening system products increased by 2.3% to RMB259.6 million in the first half of 2017 from RMB253.8 million in the same period in 2016, mainly attributable to the decrease of sales proportion of rail fastening system products which have a higher gross profit margin.

Cost of sales incurred by welding products increased by 90.2% to RMB49.6 million in the first half of 2017 from RMB26.1 million in the same period in 2016, mainly attributable to increase in sales proportion of welding materials and the increase of purchase price of raw materials, leading to increase in the corresponding cost of sales.

Gross Profit

Based on the aforesaid reasons, the Group recorded gross profit of RMB215.2 million in the first half of 2017, representing a decrease of 10.2% from gross profit of RMB239.5 million in the corresponding period in 2016, which was mainly attributable to (i) increase in cost of sales; and (ii) the decrease in sales volume of rail fastening system products which have a higher gross margin in the first half of 2017.

Gross profit of rail fastening system products decreased by 9.1% to RMB211.2 million in the first half of 2017 from RMB232.4 million in the corresponding period in 2016. Gross profit margin of rail fastening system products decreased to 44.9% in the first half of 2017 from 47.8% in the first half of 2016, mainly resulting from decrease in sales volume of rail fastening system products which have a higher gross profit.

Gross profit of welding products decreased by 52.3% to RMB3.4 million in the first half of 2017 from RMB7.1 million in the corresponding period in 2016. Gross profit margin decreased to 6.4% in the first half of 2017 from 21.4% in the first half of 2016, resulting from higher price of steel strip (as the raw material of welding products).

Selling and Distribution Expenses

Selling and distribution expenses of the Group increased to RMB25.0 million in the first half of 2017 from RMB23.8 million in the first half of 2016. For the six months ended 30 June 2017 and 2016, selling and distribution expenses as a percentage of total revenue were 4.8% and 4.6%, respectively. Increase in selling and distribution expenses was mainly led by the increase in transportation expenses, employee's remuneration and benefit costs.

General and Administrative Expenses

General and administrative expenses of the Group decreased to RMB27.4 million in the first half of 2017 from RMB29.0 million in the first half of 2016. For the six months ended 30 June 2017 and 2016, general and administrative expense as a percentage of total revenue were 5.2% and 5.5%, respectively. Decrease in general and administrative expense during the reporting period was mainly attributable to (i) the reversal of impairment of accounts receivable, (ii) tax fee of the Company, and (iii) decrease in repairing charges.

Operating Profit

Based on the aforesaid reasons, the Group recorded operating profit of RMB152.4 million in the first half of 2017, representing a decrease of 19.7% from RMB189.7 million in the same period of 2016, which was mainly due to the increase in cost of sales of welding materials and the decrease in revenue of rail fastening system products.

Share of Profits of an Associate

The Group's share of profits of an associate amounted to RMB1.4 million in the first half of 2017, representing a decrease of 19.7% from RMB2.7 million in the first half of 2016, mainly attributable to increase in cost of sales and decrease in revenue in the associate, Hebei Tieke Yichen New Material Technology Co., Ltd (Tieke Yichen)(河北鐵科翼辰新材料科技有限公司(鐵科翼辰)).

Finance Costs, Net

In the first half of 2017, the Group incurred total net finance costs of RMB9.8 million. In the first half of 2016, the net finance costs amounted to RMB7.7 million, of which the finance income decreased to RMB0.3 million in the first half of 2017 from RMB1.2 million in the first half of 2016, and the finance costs increased to RMB10.1 million in the first half of 2017 from RMB8.8 million in the first half of 2016.

The decrease in finance income was because of lower interest rate of HKD deposit compared to that of RMB. Increase in finance costs was mainly attributable to the increase of the average loan amount in the first half of 2017.

Foreign Exchange Losses

In the first half of 2017, the Group realized foreign exchange losses of RMB11.8 million. The loss was mainly derived from the process of converting Hong Kong dollar to RMB as a result of the proceeds obtained from listing of the Company. As at 30 June 2017, there was a decline in the HKD exchange rate against RMB compared with the exchange rate as at 31 December 2016.

Income Tax Expense

Income tax expense of the Group decreased to RMB17.7 million in the first half of 2017 from RMB27.6 million in the first half of 2016, which was mainly attributable to the decrease of profit before tax.

Net Profit

Based on the aforesaid reasons, the net profit decreased by 19.6% to RMB126.3 million in the first half of 2017 from RMB157.2 million in the first half of 2016. The net profit margin decreased from 30.1% in the first half of 2016 to 24.0% in the first half of 2017.

Profit attributable to equity holders of the Company

In the first half of 2017, the Group recorded the profit attributable to equity holders of the Company of RMB126.9 million, representing a decrease of 19.3% as compared to RMB157.2 million in the same period of 2016. In the first half of 2017, the basic earnings per share was RMB0.14, representing a decrease of 38.6% as compared to basic earnings of RMB0.23 per share in the same period of 2016. The decrease of profit attributable to equity holders of the Company was mainly due to the decrease of net profit of the Group in 2017.

Total Assets

As at 30 June 2017, the total assets of the Group were RMB2,598.1 million, representing an increase of 9.2% from RMB2,378.8 million as compared with that on 31 December 2016. This was mainly because of (i) the increase in accounts receivable, (ii) the increase in inventory in preparation for the forthcoming orders, (iii) the increase in construction in progress for the construction of new factory.

Total Liabilities

As at 30 June 2017, the total liabilities of the Group were RMB982.0 million, representing an increase of RMB240.8 million or 32.5% as compared with that on 31 December 2016. This was mainly due to (i) the increase of dividends payable of RMB149.9 million declared in May 2017, (ii) the increase in accounts payable for the purchase of raw materials.

Total Equity

As at 30 June 2017, the total equity of the Group was RMB1,616.1 million, representing a decrease of RMB21.5 million as compared with that on 31 December 2016, mainly due to the payment of dividends.

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 as shown in the condensed consolidated statements of financial position) less cash and cash equivalents. Total capital is calculated as "total equity" as shown in the interim condensed consolidated statements of financial position plus net debt.

As at 30 June 2017, the Group's gearing ratio was –2.6%, representing an increase of 17.9 percentage points from –20.5% as at 31 December 2016, mainly because of the decrease in cash and cash equivalents.

Liquidity, financial and capital resources

Cash Position

As of 30 June 2017, the cash and cash equivalents of the Group amounted to RMB351 million (30 June 2016: RMB649 million).

Bank Loans

As at 30 June 2017, the outstanding borrowings of the Group included short-term borrowings and long-term borrowings of RMB301.0 million and RMB10.0 million, respectively. The Group will promptly repay the aforesaid borrowings at maturity. (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.)

As of 30 June 2017, the weighted average annual interest rates of bank loans of the Group was 5.29% (31 December 2016: 5.07%), while the loan amount based on fixed interest rate amounted to RMB311.0 million (31 December 2016: RMB371.4 million).

Working Capital and Current Ratio

As of 30 June 2017, the Group had current assets of RMB2,201 million (31 December 2016: RMB2,056 million), and current liabilities of RMB966 million (31 December 2016: RMB715 million), and hence incurred the net current assets of RMB1,235 million (31 December 2016: RMB1,341 million). The current ratio (calculated based on current assets over current liabilities) as at 30 June 2017 was 2.3 (31 December 2016: 2.9).

Capital structure

As at 30 June 2017, the total share capital of the Company was RMB448,920,000, divided into 897,840,000 Shares (including 673,380,000 Domestic Shares and 224,460,000 H Shares) of nominal value of RMB0.5 each, which was the same as at 31 December 2016.

Significant investments held and material acquisitions or disposals

For the six months ended 30 June 2017, the Group did not make or hold any significant investment nor did the Group carry out any significant acquisitions or disposals.

Pledge of asset

As at 30 June 2017, accounts receivable of RMB30,090,000 (31 December 2016: RMB147,347,000) were pledged for acquiring the Group's bank advance for factored receivables, buildings and lease prepayment for land use rights with net book value of RMB41,156,000 (31 December 2016: RMB32,354,000) and RMB89,967,000 (31 December 2016: RMB136,329,000) respectively were secured for acquiring the Group's current bank borrowings and non-current bank borrowings.

Future significant investment or plans for significant acquisition of capital asset

For the six months ended 30 June 2017, the Group did not have any future significant investment or plans for significant acquisition of capital asset.

Employee and Remuneration Policies

As at 30 June 2017, the total number of employees in the Group was 1,083 (31 December 2016: 1,096). The Group incurred total staff costs of RMB32.8 million, representing an increase of RMB1.7 million as compared with 30 June 2016, mainly attributable to (i) the decrease in number of employees of the Group; (ii) the increase of contribution base of social insurance and housing provident fund; and (iii) rise in basic salary of all employee (excluding directors, supervisors and senior management) given by the Group in January 2017.

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

Foreign Exchange Risk

As of 30 June 2017, the Group has foreign currencies of approximately HKD311 million, equivalent to RMB282 million (31 December 2016: HKD648 million, equivalent to approximately RMB580 million). For the six months ended 30 June 2017, the Group had a foreign exchange loss of RMB11.8 million (for the six months ended 30 June 2016, Nil), due to appreciation of RMB. The Board continues to monitor the change in foreign exchange rates and minimize losses from exchange rates.

Contingent Liabilities

As of 30 June 2017, the Group did not have any contingent liabilities (31 December 2016: Nil).

Interim Dividend

The Board did not recommend the payment of any interim dividend for the six months ended 30 June 2017 (six months ended 30 June 2016: Nil).

INDUSTRIAL REVIEW AND ANALYSIS

In the first half of 2017, the state continued to push forward the railway construction and investment. According to figures from the National Development and Reform Commission, from January to May 2017, the investment of railway fixed asset had achieved RMB217.9 billion, representing a year-on-year growth of 2.5%. The investment of railway fixed asset for the year is expected to be RMB800 billion, among which the intercity railway has become the main focus of national railway construction plan, in order to accelerate the new urbanization construction, drive urban economy, and relieve congestion in cities.

On 28 June 2017, the National Development and Reform Commission, the Ministry of Housing and Urban-Rural Development, the Ministry of Transport, the National Railway Administration, and China Railway jointly issued "Guiding opinion in relation to enhancing municipal (suburban) railway development" (《關於促進市域（郊）鐵路發展的指導意見》), and simultaneously the first batch of eleven intercity railway projects. According to the plan, by 2020, the framework lines of municipal (suburb) railway will have essentially formed in the mega–, large, and big condition-bearing cities of economically developed regions such as Beijing-Tianjin-Hebei, the Yangtze River Delta, the Pearl River Delta, midstream of Yangtze River, Chengyu, etc., creating one-hour commute circles to and from the core areas to key peripheral areas. It is expected that the room for future development in intercity railway is substantial with the potential investment scale of more than RMB1 trillion. As a leading provider of rail fastening system in China, the Group will benefit from relevant favourable policies, bringing in market opportunities.

During the period under review, the State Council has established Xiongan New Area in Hebei Province, for the purpose of advancing the integrated development of Beijing-Tianjin-Hebei Region, and transferring Beijing's non-capital city functions in a systematic manner. The major mission of Xiongan New Area was the construction of fast and efficient transportation network. Currently, the intercity railway network surrounding Xiongan New Area has been intensively established. According to the "Beijing-Tianjin-Hebei Inter-city Railway Network Plan" (京津冀地區城際鐵路網規劃), the estimated investment for the new railway network plan amounted to approximately RMB 247.0 billion. In future, Xiongan New Area will drive the large-scale construction of peripheral intercity railway network, and inject new energy to the development of Beijing-Tianjin-Hebei Region.

As the state's "One Belt and One Road" strategy was further intensified, the construction of high-speed railway (as one of the regional connection vehicles) would facilitate the construction demand of infrastructures in regional countries along such strategy. "One Belt and One Road" would be an important platform for the China's railway "going global". The future market is promising and will provide the Group with an opportunity to participate in overseas infrastructure construction projects.

PROSPECTS

With the rapid development of the Chinese economy and increase in population, the Chinese government develops the railway transport systems rapidly, including the nationally strategic high speed and heavy-haul railway networks, and inter-city railway networks and urban track transport systems, which are close to people's lives. During the 13th Five-Year Plan, the scale of fixed asset investment on railways will be amounted to RMB3,500 billion to 3,800 billion, of which approximately RMB3,000 billion is invested in infrastructure, for the construction of 30,000 kilometers of new lines. All the railway fasteners must be replaced after using for 8-10 years, which would bring a sustainable market demand for the Group in terms of repair and maintenance for all railways, as well as upgrade and replacement for traditional railway.

The construction of high speed railway in China is progressing stably, while the planning of the Four Vertical and Four Horizontal has entered into the final stage. According to the state's "Mid-to-Long Term Plan of Railway Network" (中長期鐵路網規劃), the government will expand the Four Vertical and Four Horizontal to construct the Eight Vertical and Eight Horizontal High Speed Railway Corridors, expand regional connecting lines on the basis of the Eight Vertical and Eight Horizontal, further improve the railway networks, broaden high speed railway coverage, while greatly develop urban, municipal, and suburban railway in order to support and lead the new urbanization.

In the second half of 2017, the Group will gradually expand its production capacity. Leveraging on its extensive industry experience, the Group shall seize the massive business opportunities, by focusing on the high speed rail 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 its customer base and reinforce the Group's leading position in the industry of rail fastening system.

Looking ahead, the Group will seize the growing opportunities in the railway construction industry, work hard to enhance the core competitiveness and profitability of the Group, and provide professional railway products and services, contributing to the safe and efficient operation of the Chinese railway systems.

OTHER INFORMATION

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

As of 30 June 2017, so far as known to the Directors of the Company, the interests and short positions of the Directors, Supervisors and chief executives of the Company in the shares, underlying shares or debentures of our Company or any of its associated corporation (within the meaning of Part XV of the SFO (a) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) which will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code (including those they are taken or deemed to have under such provisions of the SFO) are as follows:

Long Position in the Domestic Shares of the Company:

Name	Capacity	Number of Shares				Total approximate percentage of shareholding in the relevant class (%) (Note 2)	Total approximate percentage of shareholding in the total share capital of our Company (%) (Note 3)
		Personal interest	Spouse interest	Deemed interest pursuant to section 317 of the SFO (Note 1)	Total number		
Mr. Zhang Haijun (張海軍)	Director	133,598,592	N/A	467,258,382	600,856,974	89.23	66.92
Mr. Zhang Ligang (張立剛)	Director	27,608,580	N/A	573,248,394	600,856,974	89.23	66.92
Mr. Wu Jinyu (吳金玉)	Director	29,561,382	N/A	571,295,592	600,856,974	89.23	66.92
Mr. Zhang Chao (張超)	Director	19,123,992	N/A	581,732,982	600,856,974	89.23	66.92
Mr. Zhang Lihuan (張力歡)	Director	17,507,880	N/A	583,349,094	600,856,974	89.23	66.92
Ms. Fan Xiulan (樊秀蘭)	Director	942,732	N/A	N/A	942,732	0.14	0.11
Mr. Zhang Xiaosuo (張小鎖)	Supervisor	87,068,034	N/A	513,788,940	600,856,974	89.23	66.92
Ms. Liu Jiao (劉姣) (Note 4)	Supervisor	N/A	600,856,974	N/A	600,856,974	89.23	66.92

Notes:

(1) The relevant parties are members of the Controlling Shareholders Group. On 2 December 2015, they entered into a written agreement to, among others; confirm their acting-in-concert agreement. Immediately following completion of the Global Offering of the Company, all the members of the Controlling Shareholders Group together control approximately 66.92% of the total share capital of the Company. Under the SFO, each member of the Controlling Shareholders Group will be deemed to be interested in the Shares beneficially owned by the other members of the Controlling Shareholders Group.

(2) The calculation is based on the total number of 673,380,000 Domestic Shares in issue.

(3) The calculation is based on the total number of 897,840,000 Shares in issue.

(4) Ms. Liu Jiao is the spouse of Mr. Zhang Libin. Under the SFO, Ms. Liu Jiao is deemed to be interested in the same number of Shares in which Mr. Zhang Libin is interested.

Save as disclosed above, as at 30 June 2017, none of the Directors, Supervisors and chief executives of the Company had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were required to be and are recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Other Information

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2017, so far as is known to the Directors, the interests or short positions of the persons (other than a Director, Supervisor or chief executive of the Company) in the Shares and underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO or which would fall to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO are as follows:

Long positions in Shares of the Company:

Name	Class of Shares	Capacity/ Nature of interest	Number of Shares	Total approximate percentage of shareholding in the relevant class (%) (Note 2)	Total approximate percentage of shareholding in the total share capital of our Company (%) (Note 3)
Ms. Zhou Qiuju (周秋菊) (Note 4)	Domestic Shares	Interest of spouse	600,856,974	89.23%	66.92%
Ms. Zhang Junxia (張軍霞) (Note 1)	Domestic Shares	Beneficial owner	87,270,048		
		Deemed interest pursuant to Section 317 of the SFO	513,586,926		
			600,856,974	89.23%	66.92%
Ms. Zhang Xiaoxia (張小霞) (Note 5)	Domestic Shares	Interest of spouse	600,856,974	89.23%	66.92%
Mr. Zhang Xiaogeng (張小更) (Note 1)	Domestic Shares	Beneficial owner	86,866,020		
		Deemed interest pursuant to Section 317 of the SFO	513,990,954		
			600,856,974	89.23%	66.92%
Ms. Sun Shujing (孫書京) (Note 6)	Domestic Shares	Interest of spouse	600,856,974	89.23%	66.92%
Ms. Zhang Xiaoxia (張曉霞) (Note 7)	Domestic Shares	Interest of spouse	600,856,974	89.23%	66.92%
Ms. Di Junping (翟軍平) (Note 8)	Domestic Shares	Interest of spouse	600,856,974	89.23%	66.92%
Ms. Zhang Weihuan (張偉環) (Note 9)	Domestic Shares	Interest of spouse	600,856,974	89.23%	66.92%
Mr. Zhang Lijie (張力杰) (Note 1)	Domestic Shares	Beneficial owner	19,123,992		
		Deemed interest pursuant to Section 317 of the SFO	581,732,982		
			600,856,974	89.23%	66.92%
Ms. Liu Lixia (劉麗霞) (Note 10)	Domestic Shares	Interest of spouse	600,856,974	89.23%	66.92%
Mr. Zhang Lifeng (張力峰) (Note 1)	Domestic Shares	Beneficial owner	19,123,992		
		Deemed interest pursuant to Section 317 of the SFO	581,732,982		
			600,856,974	89.23%	66.92%

Name	Class of Shares	Capacity/ Nature of interest	Number of Shares	Total approximate percentage of shareholding in the relevant class (%) (Note 2)	Total approximate percentage of shareholding in the total share capital of our Company (%) (Note 3)
Ms. Yang Yunjuan (楊雲娟) (Note 11)	Domestic Shares	Interest of spouse	600,856,974	89.23%	66.92%
Ms. Zhang Yanfeng (張艷峰) (Note 1)	Domestic Shares	Beneficial owner	19,123,992		
		Deemed interest pursuant to Section 317 of the SFO	581,732,982		
			600,856,974	89.23%	66.92%
Mr. Zhang Weiwei (張偉衛) (Note 12)	Domestic Shares	Interest of spouse	600,856,974	89.23%	66.92%
Mr. Zhang Libin (張力斌) (Note 1)	Domestic Shares	Beneficial owner	17,507,880		
		Deemed interest pursuant to Section 317 of the SFO	583,349,094		
			600,856,974	89.23%	66.92%
Ms. Yin Yanping (尹彥萍) (Note 13)	Domestic Shares	Interest of spouse	600,856,974	89.23%	66.92%
Mr. Zhang Ning (張寧) (Note 1)	Domestic Shares	Beneficial owner	17,507,880		
		Deemed interest pursuant to Section 317 of the SFO	583,349,094		
			600,856,974	89.23%	66.92%
Ms. Huang Li (黃麗) (Note 14)	Domestic Shares	Interest of spouse	600,856,974	89.23%	66.92%
Ms. Zhang Hong (張宏) (Note 1)	Domestic Shares	Beneficial owner	17,507,880		
		Deemed interest pursuant to Section 317 of the SFO	583,349,094		
			600,856,974	89.23%	66.92%
Mr. Liu Chaohui (劉朝輝) (Note 15)	Domestic Shares	Interest of spouse	600,856,974	89.23%	66.92%
Mr. Zhang Ruiqiu (張瑞秋) (Note 1)	Domestic Shares	Beneficial owner	2,356,830		
		Deemed interest pursuant to Section 317 of the SFO	598,500,144		
			600,856,974	89.23%	66.92%
Ms. Gao Xiangrong (高香榮) (Note 16)	Domestic Shares	Interest of spouse	600,856,974	89.23%	66.92%
Guo Zhongyan (郭中彥)	H Shares	Beneficial owner	36,960,000	16.47%	4.12%
BOCOM International Securities Limited	H Shares	Beneficial owner	33,669,000	15.00%	3.75%
BOCOM International Holdings Company Limited (Note 17)	H Shares	Interest in controlled corporation	33,669,000	15.00%	3.75%
Bank of Communications (Nominee) Company Limited (Note 17)	H Shares	Interest in controlled corporation	33,669,000	15.00%	3.75%

Other Information

Name	Class of Shares	Capacity/ Nature of interest	Number of Shares	Total approximate percentage of shareholding in the relevant class (%) (Note 2)	Total approximate percentage of shareholding in the total share capital of our Company (%) (Note 3)
Sino Wealthy Limited	H Shares	Beneficial owner	24,000,000	10.69%	2.67%
Bremwood Holdings Limited (Note 18)	H Shares	Interest in controlled corporation	24,000,000	10.69%	2.67%
Gauteng Focus Limited (Note 18)	H Shares	Interest in controlled corporation	24,000,000	10.69%	2.67%
Rentian Technology Holdings Limited (Note 18)	H Shares	Interest in controlled corporation	24,000,000	10.69%	2.67%
Li Qi (李琦)	H Shares	Beneficial owner	16,666,000	7.42%	1.86%
North Ocean (Hong Kong) Holdings Ltd.	H Shares	Beneficial owner	16,666,000	7.42%	1.86%
Hebei Publishing & Media Group Co. Ltd. (河北出版傳媒集團有限責任公司) (Note 19)	H Shares	Interest in controlled corporation	16,666,000	7.42%	1.86%
The Leading Group Office of Supervision and Management of state-owned assets of Provincial Culture Enterprise in Hebei Province (河北省省級文化企業國有資產監督管理領導小組辦公室) (Note 19)	H Shares	Interest in controlled corporation	16,666,000	7.42%	1.86%
Profaith Group Limited	H Shares	Beneficial owner	13,333,000	5.94%	1.49%
China Oil And Gas Group Limited (Note 20)	H Shares	Interest in controlled corporation	13,333,000	5.94%	1.49%
京投(香港)有限公司	H Shares	Beneficial owner	38,102,000	16.97%	4.24%
北京市基礎設施投資有限公司 (Note 21)	H Shares	Interest in controlled corporation	38,102,000	16.97%	4.24%

Notes:

(1) The relevant parties are members of the Controlling Shareholders Group. On 2 December 2015, they entered into a written agreement to, among others, confirm their acting-in-concert agreement. Immediately following completion of the Global Offering of the Company, all the members of the Controlling Shareholders Group together control approximately 66.92% of the total share capital of the Company. Under the SFO, each member of the Controlling Shareholders Group is deemed to be interested in the Shares beneficially owned by the other members of the Controlling Shareholders Group.

(2) The calculation is based on the total number of 673,380,000 Domestic Shares in issue or 224,460,000 H Shares in issue.

(3) The calculation is based on the total number of 897,840,000 Shares in issue.

(4) Ms. Zhou Qiuju (周秋菊) is the spouse of Mr. Zhang Haijun (張海軍). Under the SFO, Ms. Zhou Qiuju (周秋菊) is deemed to be interested in the same number of Shares in which Mr. Zhang Haijun is interested.

(5) Ms. Zhang Xiaoxia (張小霞) is the spouse of Mr. Zhang Xiaosuo (張小鎖). Under the SFO, Ms. Zhang Xiaoxia (張小霞) is deemed to be interested in the same number of Shares in which Mr. Zhang Xiaosuo (張小鎖) is interested.

(6) Ms. Sun Shujing (孫書京) is the spouse of Mr. Zhang Xiaogeng (張小更). Under the SFO, Ms. Sun Shujing (孫書京) is deemed to be interested in the same number of Shares in which Mr. Zhang Xiaogeng (張小更) is interested.

(7) Ms. Zhang Xiaoxia (張曉霞) is the spouse of Mr. Wu Jinyu (吳金玉). Under the SFO, Ms. Zhang Xiaoxia (張曉霞) is deemed to be interested in the same number of Shares in which Mr. Wu Jinyu (吳金玉) is interested.

(8) Ms. Di Junping (翟軍平) is the spouse of Mr. Zhang Ligang (張立剛). Under the SFO, Ms. Di Junping (翟軍平) is deemed to be interested in the same number of Shares in which Mr. Zhang Ligang (張立剛) is interested.

(9) Ms. Zhang Weihuan (張偉環) is the spouse of Mr. Zhang Chao (張超). Under the SFO, Ms. Zhang Weihuan (張偉環) is deemed to be interested in the same number of Shares in which Mr. Zhang Chao (張超) is interested.

(10) Ms. Liu Lixia (劉麗霞) is the spouse of Mr. Zhang Lijie (張力杰). Under the SFO, Ms. Liu Lixia (劉麗霞) is deemed to be interested in the same number of Shares in which Mr. Zhang Lijie (張力杰) is interested.

(11) Ms. Yang Yunjuan (楊雲娟) is the spouse of Mr. Zhang Lifeng (張力峰). Under the SFO, Ms. Yang Yunjuan (楊雲娟) is deemed to be interested in the same number of Shares in which Mr. Zhang Lifeng (張力峰) is interested.

(12) Mr. Zhang Weiwei (張偉衛) is the spouse of Ms. Zhang Yanfeng (張艷峰). Under the SFO, Mr. Zhang Weiwei (張偉衛) is deemed to be interested in the same number of Shares in which Ms. Zhang Yanfeng (張艷峰) is interested.

(13) Ms. Yin Yanping (尹彥萍) is the spouse of Mr. Zhang Lihuan (張力歡). Under the SFO, Ms. Yin Yanping (尹彥萍) is deemed to be interested in the same number of Shares in which Mr. Zhang Lihuan (張力歡) is interested.

(14) Ms. Huang Li (黃麗) is the spouse of Mr. Zhang Ning (張寧). Under the SFO, Ms. Huang Li (黃麗) is deemed to be interested in the same number of Shares in which Mr. Zhang Ning (張寧) is interested.

(15) Mr. Liu Chaohui (劉朝輝) is the spouse of Ms. Zhang Hong (張宏). Under the SFO, Mr. Liu Chaohui (劉朝輝) is deemed to be interested in the same number of Shares in which Ms. Zhang Hong (張宏) is interested.

(16) Ms. Gao Xiangrong (高香榮) is the spouse of Mr. Zhang Ruiqiu (張瑞秋). Under the SFO, Ms. Gao Xiangrong (高香榮) is deemed to be interested in the same number of Shares in which Mr. Zhang Ruiqiu (張瑞秋) is interested.

(17) BOCOM International Holdings Company Limited is wholly owned by Bank of Communications (Nominee) Co. Ltd.; BOCOM International Securities Limited is wholly owned by BOCOM International Holdings Company Limited. Under the SFO, Bank of Communications (Nominee) Co. Ltd. and BOCOM International Holdings Company Limited are deemed to be interested in the H Shares beneficially owned by BOCOM International Securities Limited.

(18) Gauteng Focus Limited is wholly owned by Rentian Technology Holdings Limited; Bremwood Holdings Limited is wholly owned by Gauteng Focus Limited; Sino Wealthy Limited is wholly owned by Bremwood Holdings Limited. Under the SFO, Rentian Technology Holdings Limited, Gauteng Focus Limited and Bremwood Holdings Limited are deemed to be interested in the H Shares beneficially owned by Sino Wealthy Limited is interested.

(19) Hebei Publishing & Media Group Co. Ltd. controls 70% equity interest of North Ocean (Hong Kong) Holdings Ltd.; while Hebei Publishing & Media Group Co. Ltd. is wholly owned by The Leading Group Office of Supervision and Management of state-owned assets of Provincial Culture Enterprise in Hebei Province. Under the SFO, The Leading Group Office of Supervision and Management of state-owned assets of Provincial Culture Enterprise in Hebei Province and Hebei Publishing & Media Group Co. Ltd. are deemed to be interested in the H Shares beneficially owned by North Ocean (Hong Kong) Holdings Ltd.

(20) Profaith Group Limited is wholly owned by China Oil And Gas Group Limited. Under the SFO, China Oil And Gas Group Limited is deemed to be interested in the H Shares beneficially owned by Profaith Group Limited.

(21) 京投(香港)有限公司 is wholly owned by 北京市基礎設施投資有限公司. Under SFO, 北京市基礎設施投資有限公司 is deemed to be interested in the H Shares beneficially owned by 京投(香港)有限公司.

Save as disclosed above, as at 30 June 2017, no person, other than a Director, Supervisor and chief executive of the Company, whose interests are set out in the section "Interests and Short Positions of the Directors, Supervisors and Chief Executive in the Shares, Underlying Shares and Debentures" above, had registered an interest or short position in the Shares and underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO or which would fall to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO.

EVENTS AFTER THE REPORTING PERIOD

Except for the dividends payment in July 2017, there was no other significant events occurred subsequent to the six months ended 30 June 2017 and up to the date of this announcement.

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 six months ended 30 June 2017.

AUDIT COMMITTEE

The interim condensed consolidated financial information is unaudited but has been reviewed by the external auditor of the Company.

The audit committee of the Company has reviewed the Group's unaudited condensed consolidated interim results and interim report during the six months ended 30 June 2017 prepared in accordance with the IAS and agreed to the accounting principles and practices adopted by the Company.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

As a company listed on the Stock Exchange, the Company always strives to maintain a high level of corporate governance and complied with all code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2017.

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 six months ended 30 June 2017, 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

During the six months ended 30 June 2017, the Board had complied with (1) the requirement that the Board of a listed issuer must include at least three independent non-executive directors under Rule 3.10(1) of the Listing Rules; (2) the requirement that at least one of the independent non-executive directors must have appropriate professional qualifications or accounting or related financial management expertise under Rule 3.10(2) of the Listing Rules; and (3) the requirement that the number of independent non-executive directors must represent at least one-third of the Board under Rule 3.10A of the Listing Rules.

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

Shijiazhuang, 25 August 2017