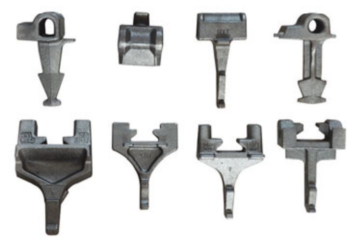
Hebei Yichen Industrial Group Corporation Limited*

河北翼辰實業集團股份有限公司

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

Stock Code : 1596



INTERIM REPORT 2018

* For identification purpose only

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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

AUTHORISED REPRESENTATIVES

Mr. Zhang Haijun
Ms. Lo Yee Har Susan

ALTERNATES TO THE AUTHORISED REPRESENTATIVES

Ms. Fan Xiulan
Mr. Zhou Encheng

AUDITOR

PricewaterhouseCoopers,
Certified Public Accountants

Corporate Information

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

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183 Queen's Road East
Hong Kong

H SHARE REGISTRAR

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

STOCK CODE

1596

COMPANY WEBSITE

http://www.hbyc.com.cn

INVESTOR AND MEDIA RELATIONS CONSULTANT

Porda Havas International Finance Communications (Group) Holdings Company Limited
Tel: 3150 6788
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Email: yichen.hk@pordahavas.com

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2018

	Note	For the six months ended 30 June **2018** ***RMB'000*** **(Unaudited)**	 2017 *RMB'000* (Restated)
Revenue	5	**578,339**	525,591
Cost of sales	5	**(393,793)**	(310,430)
Gross profit		**184,546**	215,161
Selling and distribution expenses		**(26,894)**	(24,970)
General and administrative expenses		**(26,731)**	(21,492)
Net impairment losses on financial assets		**(7,116)**	(5,920)
Other gains/(losses), net		**6,332**	(10,422)
Operating profit		**130,137**	152,357
Finance income		**628**	312
Finance costs		**(9,336)**	(10,105)
Finance costs, net		**(8,708)**	(9,793)
Share of profits of an associate	7	**4,875**	1,432
Profit before income tax		**126,304**	143,996
Income tax expense	14	**(18,153)**	(17,690)
Profit for the period		**108,151**	126,306
Attributable to:			
Equity holders of the Company		**106,929**	126,306
Non-controlling interests		**1,222**	–
		108,151	126,306
Basic and diluted earnings per share for profit attributable to equity holders of the Company for the period (RMB)	15	**0.12**	0.14

The notes on pages 11 to 33 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 2018

	For the six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Restated)
Profit for the period	**108,151**	126,306
Other comprehensive income:		
Item that may be reclassified to income statement:		
Change in fair value of available-for-sale financial assets	**–**	2,151
Total comprehensive income for the period	**108,151**	128,457
Attributable to:		
Equity holders of the Company	**106,929**	128,457
Non-controlling interests	**1,222**	–
Total comprehensive income for the period	**108,151**	128,457

The notes on pages 11 to 33 are an integral part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	Note	As at 30 June 2018 RMB'000 (Unaudited)	As at 31 December 2017 RMB'000 (Restated)
ASSETS			
Non-current assets			
Property, plant and equipment	6	297,483	231,457
Lease prepayment for land use rights	6	88,383	134,680
Intangible assets	6	90	80
Investments in an associate	7	111,883	59,968
Deferred income tax assets	8	18,097	17,902
Other receivables and prepayments			
Non-current portion		17,531	18,084
		533,467	462,171
Current assets			
Financial assets at fair value through profit or loss		145,817	–
Available-for-sale financial assets		–	141,155
Inventories		237,215	228,431
Accounts receivable	9	1,463,698	1,293,666
Advances to suppliers		23,831	20,256
Other receivables and prepayments			
Current portion		23,680	22,602
Restricted cash		80,645	99,773
Cash and cash equivalents		173,366	289,832
		2,148,252	2,095,715
Total assets		2,681,719	2,557,886

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

As at 30 June 2018

	Note	As at 30 June 2018 *RMB'000* (Unaudited)	As at 31 December 2017 *RMB'000* (Restated)
EQUITY			
Capital and reserves attributable to equity holders			
Share capital	10	**448,920**	448,920
Other reserves		**888,397**	898,304
Retained earnings		**416,572**	317,423
		1,753,889	1,664,647
Non-controlling interests		**72,671**	71,449
Total equity		**1,826,560**	1,736,096
LIABILITIES			
Non-current liabilities			
Bank borrowings	11	**10,000**	10,000
Deferred income from government grants		**6,258**	6,374
		16,258	16,374
Current liabilities			
Accounts payable	12	**419,887**	334,971
Contract liabilities	20	**6,111**	11,168
Other payables and accruals		**92,310**	94,788
Current income tax liabilities		**9,471**	7,589
Bank borrowings	11	**293,435**	356,900
Dividends payable	16	**17,687**	–
		838,901	805,416
Total liabilities		**855,159**	821,790
Total equity and liabilities		**2,681,719**	2,557,886

The notes on pages 11 to 33 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 2018

	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 31 December 2017 (Audited)	448,920	898,304	317,423	1,664,647	71,449	1,736,096
Changes in accounting policies	–	(9,907)	9,907	–	–	–
Restated balance at 1 January 2018	448,920	888,397	327,330	1,664,647	71,449	1,736,096
Comprehensive income						
Profit for the period	–	–	106,929	106,929	1,222	108,151
Other comprehensive income						
Change in fair value of available-for-sale financial assets	–	–	–	–	–	–
Total comprehensive income for the period	–	–	106,929	106,929	1,222	108,151
Transactions with owners						
Dividends declared (Note 16)	–	–	(17,687)	(17,687)	–	(17,687)
	–	–	(17,687)	(17,687)	–	(17,687)
Balance at 30 June 2018 (Unaudited)	448,920	888,397	416,572	1,753,889	72,671	1,826,560

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

For the six months ended 30 June 2018

	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	–	–	(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

The notes on pages 11 to 33 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 2018

	For the six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cash flows from operating activities		
Cash generated from/(used in) operations	**67,672**	(58,753)
Interest paid	**(9,153)**	(10,105)
Interest received	**630**	312
Income tax paid	**(16,467)**	(16,228)
Net cash generated from/(used in) operating activities	**42,682**	(84,774)
Cash flows from investing activities		
Purchase of property, plant and equipment	**(76,381)**	(83,147)
Purchase of intangible assets	**(29)**	–
Payments for acquisition of land use right	**–**	(1,176)
Payments for capital increase to an associate	**(40)**	–
Purchase of available-for-sale financial assets	**–**	(38,000)
Proceeds from disposals of property, plant and equipment	**40**	62
Net cash used in investing activities	**(76,410)**	(122,261)
Cash flows from financing activities		
Listing cost paid	**–**	(3,730)
Proceeds from bank borrowings	**88,435**	114,468
Repayments of bank borrowings	**(151,900)**	(174,910)
Dividends and related withholding tax paid	**(19,206)**	(15,002)
Net cash used in financing activities	**(82,671)**	(79,174)
Net decrease in cash and cash equivalents	**(116,399)**	(286,209)
Cash and cash equivalents at 1 January	**289,832**	649,436
Exchange losses on cash and cash equivalents	**(67)**	(11,771)
Cash and cash equivalents at 30 June	**173,366**	351,456

The notes on pages 11 to 33 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 the listing of H shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited. The equity interest of the Company was transformed into share capital of RMB336,690,000 by the 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 the shareholders' resolution dated 30 November 2015, the 336,690,000 shares shall be further sub-divided into 673,380,000 shares of RMB0.5 per share. On 21 December 2016, the Company completed its Listing by issuing 224,460,000 new shares with a 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 (the "**Listing**").

This interim condensed consolidated financial information for the six months ended 30 June 2018 ("**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 24 August 2018.

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 does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2017, which have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**").

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

2.2 Accounting policies

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2017,as described in those annual financial statements except for the adoption of new and amended standards are set out below.

(a) New and amended standards adopted by the group

A number of new or amended standards became applicable for the current reporting period and the group had to change its accounting policies and make retrospective adjustments as a result of adopting the following standards:

- IFRS 9 Financial Instruments, and
- IFRS 15 Revenue from Contracts with Customers.

The impact of the adoption of these standards and the new accounting policies are disclosed in note 20 below. The other standards did not have any impact on the group's accounting policies and did not require retrospective adjustments.

(b) Impact of standards issued but not yet applied by the entity

IFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the group's operating leases. As at the reporting date, the group has non-cancellable operating lease commitments of RMB113,000,as stated in note 17(b). As the operating lease is ending and the management is considering to renew the lease contracts. The management expects IFRS 16 will not have significant impact on the financial position and financial performance of the Group.

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under IFRS 16.

The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. The group does not intend to adopt the standard before its effective date.

(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 2017.

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 2017.

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 2018 (Unaudited)					
Bank borrowings	**299,665**	**10,459**	**–**	**–**	**310,124**
Accounts payable	**419,887**	**–**	**–**	**–**	**419,887**
Other payables and accruals (excluding payroll)	**87,676**	**–**	**–**	**–**	**87,676**
At 31 December 2017 (Audited)					
Bank borrowings	368,050	600	11,355	–	380,005
Accounts payable	334,971	–	–	–	334,971
Other payables and accruals (excluding payroll)	89,382	–	–	–	89,382

Notes to the Interim Condensed Consolidated Financial Information *(Continued)*

4 FINANCIAL RISK MANAGEMENT *(Continued)*

4.3 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value as at 30 June 2018 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 profit or loss				
At June 30, 2018 (Unaudited)	**–**	**–**	**145,817**	**145,817**
Financial assets at fair value through equity				
At December 31, 2017(Audited)	–	–	141,155	141,155

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

Notes to the Interim Condensed Consolidated Financial Information *(Continued)*

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 2018 (Unaudited)	**Rail fastening system products** *RMB'000*	**Welding materials** *RMB'000*	**Others** *RMB'000*	**Total** *RMB'000*
Total revenue	494,538	75,101	8,700	578,339
Inter-segment revenue	–	–	–	–
Revenue from external customers	494,538	75,101	8,700	578,339
Total cost of sales	317,325	69,105	7,363	393,793
Segment gross profit	177,213	5,996	1,337	184,546
Other profit & loss disclosure:				
Depreciation and amortization	5,698	1,322	3,482	10,502
Provisions for/(reversal of) impairment of receivables	7,705	(243)	(346)	7,116
Finance costs, net	–	–	8,708	8,708

For the six months ended 30 June 2017 (Restated)	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

Notes to the Interim Condensed Consolidated Financial Information *(Continued)*

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	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Restated)
Segment gross profit	**184,546**	215,161
Selling and distribution expenses, general and administrative expenses and finance costs, net	**(62,333)**	(56,255)
Net impairment losses on financial assets	**(7,116)**	(5,920)
Other gains/(losses), net	**6,332**	(10,422)
Share of profits of associate, net	**4,875**	1,432
Profit before income tax	**126,304**	143,996
Income tax expense	**(18,153)**	(17,690)
Profit for the period	**108,151**	126,306

For the six months ended 30 June 2018 and 2017, over 95% of the Group's revenue are generated in China.

Notes to the Interim Condensed Consolidated Financial Information *(Continued)*

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 2018 (audited)	**231,457**	**134,680**	**80**
Additions	**75,673**	**–**	**29**
Disposals	**(115)**	**(45,346)**	**–**
Depreciation/amortization	**(9,532)**	**(951)**	**(19)**
Net book amount at 30 June 2018 (unaudited)	**297,483**	**88,383**	**90**
Net book amount at 1 January 2017 (audited)	110,087	136,329	111
Additions	78,853	1,176	–
Disposals	(198)	–	–
Depreciation/amortization	(9,144)	(1,408)	(15)
Net book amount at 30 June 2017 (unaudited)	179,598	136,097	96

Note:

(i) As at 30 June 2018, lease prepayment for land use rights with net book value of RMB77,973,000 (as at 31 December 2017: RMB89,333,000) were pledged as securities for bank borrowings (Note 11).

7 INVESTMENTS IN ASSOCIATE

	2018 ***RMB'000*** **(Unaudited)**	2017 *RMB'000* (Unaudited)
At 1 January	**59,968**	51,185
Addition investment	**47,040**	–
Share of profits for the period	**4,875**	1,432
At 30 June	**111,883**	52,617

Notes to the Interim Condensed Consolidated Financial Information *(Continued)*

7 INVESTMENTS IN ASSOCIATE *(Continued)*

As at 30 June 2018 the carrying amount of the Group's interest was RMB111,883,000 (31 December 2017: RMB59,968,000). In January 2018, the Group and the other shareholder have injected additional capital to Hebei Tieke Yichen New Material Technology Co., Ltd ("**Tieke Yichen**") separately with equal proportion. The Group has completed the capital increase with land use right at fair value of RMB47,040,000. 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 2018 *RMB'000* **(Unaudited)**	As at 31 December 2017 *RMB'000* (Unaudited)
Assets	**277,182**	151,298
Liabilities	**48,849**	28,914

	For the six months ended 30 June	
	2018 *RMB'000* **(Unaudited)**	2017 *RMB'000* (Unaudited)
Revenue	**105,893**	59,565
Net profit	**9,949**	2,922
Share of profit	**4,875**	1,432
Percentage held	**49%**	49%

8 DEFERRED INCOME TAX ASSETS AND LIABILITIES

	For six months ended 30 June	
	2018 *RMB'000* **(Unaudited)**	2017 *RMB'000* (Unaudited)
Opening balance at 1 January	**17,902**	17,218
Charged to statement of comprehensive income	**195**	194
Ending balance at 30 June	**18,097**	17,412

9 ACCOUNTS RECEIVABLE

	As at 30 June 2018 ***RMB'000*** **(Unaudited)**	As at 31 December 2017 *RMB'000* (Audited)
Trade receivables, gross (note(a))	**1,533,303**	1,353,175
Less: provision for impairment	**(109,918)**	(102,802)
	1,423,385	1,250,373
Notes receivable (note (b))	**40,313**	43,293
	1,463,698	1,293,666

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

	As at 30 June 2018 ***RMB'000*** **(Unaudited)**	As at 31 December 2017 *RMB'000* (Audited)
Current to 1 year	**1,098,375**	989,142
1 to 2 years	**318,875**	228,926
2 to 3 years	**69,728**	92,829
Over 3 years	**46,325**	42,278
	1,533,303	1,353,175

(b) Notes receivable consisted of bank acceptance notes and trade 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.

Notes to the Interim Condensed Consolidated Financial Information *(Continued)*

9 ACCOUNTS RECEIVABLE *(Continued)*

(d) As at 30 June 2018, the Company factored receivables of RMB31,500,000 (31 December 2017: RMB120,000,000) (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 IFRS 9 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 separately presented in 'Net impairment losses on financial assets' in the interim condensed consolidated income statement.

10 SHARE CAPITAL

Ordinary shares, issued and fully paid:

	Numbers of shares of RMB0.5 each *('000)*	**Share capital** *RMB'000*
At 1 January 2018 (Audited)	**897,840**	**448,920**
Addition (Note (i))	**–**	**–**
At 30 June 2018 (Unaudited)	**897,840**	**448,920**
At 1 January 2017 (Audited)	897,840	448,920
Addition (Note (i))	–	–
At 30 June 2017 (Unaudited)	897,840	448,920

(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 December 21, 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 2018 *RMB'000* (Unaudited)	As at 31 December 2017 *RMB'000* (Audited)
Non-Current		
Bank borrowing (Note v)	**10,000**	10,000
Current		
Bank borrowings		
– other bank loans (Note i)	**104,810**	138,500
– entrusted loan (Note ii)	**–**	13,400
– bank advance for factored receivables (Note iii)	**23,625**	90,000
– unsecured bank borrowings (Note iv)	**165,000**	115,000
	293,435	356,900
Total bank borrowings	**303,435**	366,900

Movements in borrowings is analysed as follows:

	Six months ended 30 June	
	2018 *RMB'000* (Unaudited)	2017 *RMB'000* (Unaudited)
At the beginning of the period	**366,900**	371,410
Proceeds from bank borrowings	**88,435**	114,468
Repayment of bank borrowings	**(151,900)**	(174,910)
At the end of the period	**303,435**	310,968

Notes to the Interim Condensed Consolidated Financial Information *(Continued)*

11 BANK BORROWINGS *(Continued)*

The Group has the following undrawn borrowings facilities:

	June 30 2018 *RMB'000* (Unaudited)	31 December 2017 *RMB'000* (Unaudited)
– Expiring within 1 year	**240,190**	196,200

Notes:

(i) As at 30 June 2018, secured bank borrowings of RMB104,810,000(31 December 2017: RMB60,000,000) are secured by lease prepayment for land use rights of the Company.

(ii) As at 30 June 2018, the Company has no short term entrusted loan. As 31 December 2017, the Company has one short term entrusted loan of 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 2018, bank advance for factored receivables of RMB23,625,000 (31 December 2017: RMB90,000,000) are under receivable purchase agreement of RMB31,500,000 (31 December 2017: RMB120,000,000).

(iv) As at 30 June 2018, short term bank borrowings of RMB90,000,000 from Shijiazhuang Branch, Minsheng Bank (中國民生銀行石家莊分行) were unsecured bank loans and borne interest rate of 6.60% per annum, short term bank borrowings of RMB25,000,000 and RMB20,000,000 from Gaocheng Branch, China Construction Bank (中國建設銀行藁城支行) were unsecured bank loans and borne interest rate of 4.35% and 4.75% per annum. As at 31 December 2017, short term bank borrowings of RMB85,000,000 was unsecured.

As at 30 June 2018, short-term bank borrowings of RMB30,000,000 (31 December 2017: RMB30,000,000) from Chongqing Fumin Bank (重慶富民銀行股份有限公司), were guaranteed by Hanhua Finance Limited Company (瀚華擔保股份有限公司) with counter-guarantee offered by 6 shareholders of the company. They are Zhang Haijun, Zhang Qiuju, Zhang Lifeng, Yang Yunjuan, Zhang Chao and Wu Jinyu, and the interest rate is 6.10% per annum.

(v) As at 30 June 2018, the Company has long term entrusted loan, with the maturity date of 4 April 2020, of RMB10,000,000 (31 December 2017: RMB10,000,000) 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%.

12 ACCOUNTS PAYABLE

	As at 30 June 2018 *RMB'000* (Unaudited)	As at 31 December 2017 *RMB'000* (Audited)
Trade payables to associate and other related parties	**90,694**	50,163
Trade payables to third-parties	**267,478**	239,260
	358,172	289,423
Notes payable	**61,715**	45,548
	419,887	334,971

12 ACCOUNTS PAYABLE *(Continued)*

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

	As at 30 June 2018 ***RMB'000*** **(Unaudited)**	As at 31 December 2017 *RMB'000* (Audited)
Current to 1 year	**332,543**	252,875
1 year to 2 years	**14,169**	19,568
2 years to 3 years	**8,070**	14,264
Over 3 years	**3,390**	2,716
	358,172	289,423

13 OPERATING PROFIT

An analysis of the amounts presented as operating items in the financial information is as follows:

	For the six months ended 30 June	
	2018 ***RMB'000*** **(Unaudited)**	2017 *RMB'000* (Unaudited)
Depreciation and amortization	**10,502**	10,567
Provisions for impairments on receivables	**7,116**	5,920
Employee benefit costs	**37,729**	32,813
Government grants	**136**	4,116
Gain on disposal of property, plant and equipment	**1,666**	157

14 INCOME TAX EXPENSE

	For the six months ended 30 June	
	2018 ***RMB'000*** **(Unaudited)**	2017 *RMB'000* (Unaudited)
Current income tax	**18,348**	17,884
Deferred income tax (Note 8)	**(195)**	(194)
	18,153	17,690

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 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), at 29 September 2015, and enjoyed the preferential income tax rate of 15%. As the end of June, the renew application for the 2018 high-tech certificate is in progress and it is expected to be certified. Hence, the management used 15% as the tax rate for the six months ended 30 June 2018.

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.

	For the six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Profit attributable to equity holders of the Company	**106,929**	126,306
Weighted average number of ordinary shares in issue (thousands)	**897,840**	897,840
Basic earnings per share (RMB per share)	**0.12**	0.14

There were no potential dilutive ordinary shares for the six months ended 30 June 2017 and 2018. 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 2018(six months ended 30 June 2017, Nil). The dividend of RMB17,687,448 (RMB0.0197 (tax inclusive) per share) relating to the year ended 31 December 2017 was approved by the annual general meeting on 21 May 2018.

17 COMMITMENTS

(a) Capital commitments

The Group have the following capital commitments not provided for as at 30 June 2018 and 31 December 2017, respectively.

	As at 30 June 2018 ***RMB'000*** **(Unaudited)**	As at 31 December 2017 *RMB'000* (Audited)
Property, plant and equipment and lease prepayments for land use rights – contracted but not yet incurred	**69,129**	23,581

(b) Operating lease commitments

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

	As at 30 June 2018 ***RMB'000*** **(Unaudited)**	As at 31 December 2017 *RMB'000* (Audited)
Up to 1 year	**108**	618
1 to 5 years	**5**	–
	113	618

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 party
TieLong DaoCha Company Limited (Tielong Daocha) (石家莊市鐵龍道岔有限公司)	Other related party

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, 2018 and 2017.

18 RELATED PARTY TRANSACTIONS *(Continued)*

(a) Significant transactions with related parties:

	For the six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Sale of goods and materials to		
– Tieke Yichen	**1,704**	2,614
Purchases of goods and materials from		
– Tieke Yichen	**57,206**	58,492
Procurement of processing services		
– Longji Management (i)	**3,600**	2,267
Expense for comprehensive services and other services from		
– Longji Management (i)	**1,008**	1,055
Leasing of properties from		
– Shareholder (ii)	**180**	180
– Longji Management (i)	**316**	350
Key management compensations	**1,147**	986

(i) 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. The Company entered rental and comprehensive services agreements, and a master processing agreement with Longji Management on 30 November 2015.

(ii) 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 2017. 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 2018 and 2017.

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.

(iii) 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. For the six months ended 30 June 2018, there was no transactions occurred with Tielong Daocha (for the six months ended 30 June 2017: Nil).

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 2018 ***RMB'000*** **(Unaudited)**	As at 31 December 2017 *RMB'000* (Audited)
Assets		
Accounts receivable from		
– Tieke Yichen	**2,489**	–
– Tielong Daocha	**264**	264
Prepayment to		
– Longji Management	**–**	210
– Shareholder for office rental fee	**30**	408
Liabilities		
Accounts payable to		
– Tieke Yichen	**89,391**	50,050
– Tielong Daocha	**113**	113
– Longji Management	**1,190**	–
Other payable to		
– Longji Management	**293**	–

19 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

No significant subsequent events occurred after the balance sheet date.

20 CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers on the group's financial statements and also discloses the new accounting policies that have been applied from 1 January 2018, where they are different to those applied in prior periods.

(a) Impact on the financial statements

As a result of the changes in the entity's accounting policies, prior year financial statements had to be restated. As explained in note 20(b) below, IFRS 9 was generally adopted without restating comparative information with the exception of certain aspects of hedge accounting. The reclassifications and the adjustments arising from the new impairment rules are therefore not reflected in the restated balance sheet as at 31 December 2017, but are recognised in the opening balance sheet on 1 January 2018.

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more detail by standard below.

Balance sheet (extract)	**31 December 2017 as originally presented** *RMB'000*	**IFRS 15** *RMB'000*	**31 December 2017 Restated** *RMB'000*	**IFRS 9** *RMB'000*	**1 January 2018 Restated** *RMB'000*
Current assets					
Financial assets at fair value through profit or loss ("FVPL")	–	–	–	141,155	141,155
Available-for-sale financial assets	141,155	–	141,155	(141,155)	–
Total assets	2,557,886	–	2,557,886	–	2,557,886
Current liabilities					
Advances from customers	11,168	(11,168)	–	–	–
Contract liabilities	–	11,168	11,168	–	11,168
Total liabilities	821,790	–	821,790	–	821,790
Net assets	1,736,096	–	1,736,096	–	1,736,096
Reserves	898,304	–	898,304	(9,907)	888,397
Retained earnings	317,423	–	317,423	9,907	327,330
Total equity	1,736,096	–	1,736,096	–	1,736,096

The management has assessed the impact of adopt IFRS 9 and IFRS 15 and regarded that there is no impact to the income statement and statement of comprehensive income for the six months ended 30 June 2017.

20 CHANGES IN ACCOUNTING POLICIES *(Continued)*

(b) IFRS 9 Financial Instruments – Impact of adoption

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of IFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in note 20(c) below. In accordance with the transitional provisions in IFRS 9(7.2.15) and (7.2.26), comparative figures have not been restated.

The total impact on the group's retained earnings as at 1 January 2018 and 1 January 2017 is as follows:

	Notes	2018 *RMB'000*	2017 *RMB'000*
Closing retained earnings 31 December – IAS 39		**317,423**	308,063
Reclassify investments from available-for-sale to FVPL	(i)	**9,907**	2,151
Opening retained earnings 1 January – IFRS 9 (before restatement for IFRS 15)		**327,330**	310,214

(i) Classification and measurement

On 1 January 2018 (the date of initial application of IFRS 9), the group's management has assessed which business models apply to the financial assets held by the group and has classified its financial instruments into the appropriate IFRS 9 categories. The main effects resulting from this reclassification are as follows:

Financial assets – 1 January 2018	Notes	**FVPL** *RMB'000*	**Available-for-sale** *RMB'000*
Closing balance 31 December 2017 – IAS 39		–	141,155
Reclassify investments from available-for-sale to FVPL	(a)	141,155	(141,155)
Opening balance 1 January 2018 – IFRS 9		141,155	–

20 CHANGES IN ACCOUNTING POLICIES *(Continued)*

(b) IFRS 9 Financial Instruments – Impact of adoption *(Continued)*

(i) Classification and measurement (Continued)

The impact of these changes on the group's equity is as follows:

	Notes	Effect on AFS reserve *RMB'000*	Effect on retained earnings *RMB'000*
Opening balance – IAS 39		9,907	317,423
Reclassify investments from available-for-sale to FVPL	(a)	(9,907)	9,907
Opening balance – IFRS 9		–	327,330

(a) Reclassification from available-for-sale to FVPL

Certain investments were reclassified from available-for-sale to financial assets at FVPL (RMB141,155,000 as at 1 January 2018). They do not meet the IFRS 9 criteria for classification at amortised cost, because their cash flow do not represent solely payments of principle and interest.

Related fair value gains of RMB9,907,000 were transferred from the available-for-sale financial assets reserve to retained earnings on 1 January 2018. In the six months to 30 June 2018, fair value gains of RMB4,662,000 relating to these investments were recognised in profit or loss.

20 CHANGES IN ACCOUNTING POLICIES *(Continued)*

(b) IFRS 9 Financial Instruments – Impact of adoption *(Continued)*

(ii) Impairment of financial assets

The group has one type of financial assets that is subject to IFRS 9's new expected credit loss model:

- trade receivables for sales of inventory

The group was required to revise its impairment methodology under IFRS 9 for each of these classes of assets. The Group has assessed the adoption of new impairment methodology and found there is no impact of the change in impairment methodology on the group's retained earnings and equity as at 1 January 2018.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

Trade receivables

The group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and aging. On that basis, the loss allowance as at 1 January 2018 was determined as follows for trade receivables:

1 January 2018	Current to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	over 5 years	Total
Expected loss rate	2%	10%	30%	50%	80%	100%	
Gross carrying amount	989,142	228,926	91,171	16,604	13,290	5,280	1,344,413
Loss allowance	19,783	22,893	27,351	8,302	10,632	5,280	94,241

(c) IFRS 9 Financial Instruments – Accounting policies applied from 1 January 2018

(i) Investments and other financial assets

Classification

From 1 January 2018, the group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI, or through profit or loss), and

- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI.

Notes to the Interim Condensed Consolidated Financial Information *(Continued)*

20 CHANGES IN ACCOUNTING POLICIES *(Continued)*

(c) IFRS 9 Financial Instruments – Accounting policies applied from 1 January 2018 *(Continued)*

(i) Investments and other financial assets (Continued)

Measurement

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

20 CHANGES IN ACCOUNTING POLICIES *(Continued)*

(c) IFRS 9 Financial Instruments – Accounting policies applied from 1 January 2018 *(Continued)*

(i) Investments and other financial assets (Continued)

Impairment

From 1 January 2018, the group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

(d) IFRS 15 Revenue from Contracts with Customers – Impact of adoption

The group has adopted IFRS 15 Revenue from Contracts with Customers from 1 January 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transition provisions in IFRS 15, the group has adopted the new rules retrospectively and has restated comparatives for the 2017 financial year. In summary, the following adjustments were made to the amounts recognised in the balance sheet at the date of initial application (1 January 2018):

	IAS 18 carrying amount 31 December 2017	Reclassification	IFRS 15 carrying amount 1 January 2018
	RMB'000	*RMB'000*	*RMB'000*
Contract liabilities	–	11,168	11,168

There is no impact on the group's retained earnings as at 1 January 2018 and 2017.

(i) Presentation of assets and liabilities related to contracts with customers

The Group has also voluntarily changed the presentation of certain amounts in the balance sheet to reflect the terminology of IFRS 15 and IFRS 9:

- Contract liabilities in relation to sales of inventory were previously included in advances from customers (RMB11,168,000 as at 1 January 2018).

(e) IFRS 15 Revenue from Contracts with Customers – Accounting policies

Financing components

The group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the group does not adjust any of the transaction prices for the time value of money.

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 33, 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 2018 and the interim condensed consolidated income statement, the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of 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 of the Group is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 24 August 2018

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MANAGEMENT DISCUSSION AND ANALYSIS

PERFORMANCE REVIEW

The Group is a leading rail fastening system provider in the PRC, with its major business focused on two segments, including 1) rail fastening systems; and 2) welding products. For the six months ended 30 June 2018, the total revenue of the Group amounted to approximately RMB578.3 million, representing a year-on-year increase of approximately 10.0%.

Rail Fastening System Products

For the six months ended 30 June 2018, the revenue from rail fastening system products amounted to approximately RMB494.5 million, representing approximately 85.5% of the Group's total revenue and approximately 5.0% increase over the revenue of approximately RMB470.8 million from this segment for the corresponding period of last year. This was mainly attributable to higher sales of rail fastening products during the period under review.

For the period under review, the cost of sales incurred by rail fastening system products grew by approximately 22.2% from approximately RMB259.6 million for the first half of 2017 to approximately RMB317.3 million for the corresponding period of 2018. The change in cost was mainly attributable to the higher price of steel as a raw material during the period under review.

There was an increase in cost for the first half year of 2018 due to the rising raw material costs of steel and most of the sales contracts generating revenue during the period were signed during or before the first half year of 2017, which could not reflect the increased raw material price. For the period, the gross profit of rail fastening system products amounted to approximately RMB177.2 million, representing approximately 16.1% decline compared with the gross profit of approximately RMB211.2 million for the corresponding period of last year. The gross profit margin of rail fastening system products fell from approximately 44.9% for the first half of 2017 to approximately 35.8% for the first half of 2018.

Subject to the decrease in the number of bids in the first half of 2018, the initial value of entering into agreements of supplying rail fastening systems was approximately RMB356 million, representing a decline of approximately 42.2% from the corresponding period of last year, with expectation to rebound in the second half of the year. Of the amount, the initial value of entering into agreements of supplying high-speed rail fastening systems amounted to approximately RMB90 million, representing a decline of approximately 78.8% compared with the corresponding period of last year; the initial value of entering into agreements of supplying heavy-haul rail fastening systems amounted to approximately RMB35 million; the initial value of entering into agreements of supplying urban transit fastening systems amounted to approximately RMB180 million; and the initial value of entering into agreements of supplying traditional rail fastening systems was approximately RMB51 million. As of 30 June, the backlog of the Group amounted to approximately RMB1,361 million (value-added tax included).

Welding Products

For the six months ended 30 June 2018, the revenue from welding products was approximately RMB75.1 million, accounting for approximately 13.0% of the Group's total revenue. Compared to the revenue of approximately RMB53.0 million for the first half of 2017, the significant increase in revenue was mainly attributable to the growing market demand for welding materials over the first half of 2018.

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 will continue to expand its customer range on the basis of continuous collaboration with the existing major customers.

Prospects

With the rapid development of the Chinese economy and the further implementation of the "13th Five Year Plan", pursuant to the "13th Five-Year Plan for Developing the Modern Integrated Transportation System" (《"十三五"現代綜合交通運輸體系發展規劃》) issued by the State Council, the high-speed railway will cover more than 80% cities with a permanent urban population of over one million each by 2020; and the operational mileage of urban transit railways will almost double that in 2015. Also by 2020, national railways will meet 150,000 kilometers of operational mileage, 30,000 kilometers of which will be delivered by high-speed railway.

The "13th Five-Year Plan for Developing the Modern Integrated Transportation System" pointed out that

The facilitation of high-speed railway construction. Under the initiative of fast-tracking the construction of high-speed railway networks, high-speed railway corridors will linked up such as Beijing-Harbin Line, Beijing-Hong Kong-Macau Line, the Continental Bridge, Shanghai-Kunming Line and Guangzhou-Kunming Line; and work will start to construct Beijing-Hong Kong (Taipei) Line, Hohhot-Nanning Line, Beijing-Kunming Line, Baotou (Yinchuan)-Hainan Line, Qingdao-Yinchuan Line, Lanzhou (Xining)-Guangzhou Line, Beijing-Lanzhou Line and Xiamen-Chongqing Line. Such efforts will expand regional connection lines and high-speed railway coverage.

Improve the normal-speed railway network. Efforts will be made to accelerate the construction of railway lines in Central and Western China, improve the railway network of Eastern China, and conduct transformation to raise the railway speed in Northeastern China, increase the transportation capacity of regional railways, and expand railway network coverage. Efforts will also be made to construct double-track railway lines and conduct electrification works, in a bid to improve the quality of railway networks. In addition, efforts will be made to expand outbound railway lines, promote railway construction along the border and enhance the railway connection with ports, so as to realize effective connection with overseas lines at a faster pace.

Actively promote the construction of branch railway lines. Work will be done to promote the construction of local railways for development purposes, branch lines and border railway lines. More efforts will be made to effectively connect with mining areas, industrial parks, logistics parks and ports so as to bolster the support for the railway trunk network.

During the development of intercity railway networks for three major city clusters including Beijing-Tianjin-Hebei integration, the Yangze River Delta and the Pearl River Delta, the emphasis shall be placed on reinforcing intercity railway construction and enhancing the efficient connection between railway trunks and intercity railways and urban rail transit routes.

For the second half of 2018, the Group will continue to accelerate the construction of its new plant area. Leveraging on its extensive industry experience and during the great strides of Chinese railway development, the Group will seize the massive business opportunities and continue to increase its market share in other areas while focusing on high-speed rail fastening systems. The Group will also closely follow the dynamics of Chinese railway development and continue to solidify its customer base and its leading position in the industry of rail fastening systems.

Looking ahead, the Group will capture the growing opportunities in the railway construction industry, strive to enhance its core competitiveness and profitability, provide professional railway products and services, and seek for merger and acquisition opportunities in the railway industry, so as to contribute to the safe and efficient operation of Chinese railway systems.

PERFORMANCE ANALYSIS AND DISCUSSION

Revenue

The Group's main business operations comprise the manufacturing and sales of rail fastening systems and welding materials. The above business has brought sustained and stable revenue to the Group. Revenue of the Group increased to approximately RMB578.3 million in the first half of 2018 from approximately RMB525.6 million in the first half of 2017, mainly attributable to the increase in revenue from rail fastening systems products and welding material products.

Revenue generated from rail fastening system products grew approximately by 5.0% to approximately RMB494.5 million in the first half of 2018 from approximately RMB470.8 million in the first half of 2017, which was mainly attributable to higher sales of rail fastening system products.

Revenue generated from welding materials increased by approximately 41.6% to approximately RMB75.1 million in the first half of 2018 from approximately RMB53.0 million in the corresponding period of 2017, which was mainly attributable to the increase in market demand for welding materials during the first half of 2018. Apart from the revenue generated from selling rail fastening system products and welding materials, the Group also generated other operating revenue mainly from the sales of raw materials and product processing services.

Cost of Sales

The Group's cost of sales increased by approximately 26.9% to approximately RMB393.8 million in the first half of 2018 from approximately RMB310.4 million in the first half of 2017, which was mainly attributable to the rising raw material costs of steel.

Cost of sales incurred by rail fastening system products increased by approximately 22.2% to approximately RMB317.3 million in the first half of 2018 from approximately RMB259.6 million in the first half in 2017, which was mainly attributable to the higher cost of raw materials.

Cost of sales incurred by welding products increased by approximately 39.2% to approximately RMB69.1 million in the first half of 2018 from approximately RMB49.6 million in the same period of 2017, mainly attributable to an increase in the sales revenue of welding material products which led to higher cost of sales.

Gross Profit

Based on the aforesaid reasons, the Group recorded a gross profit of approximately RMB184.5 million from January to June 2018, representing a decrease of approximately 14.2% from the gross profit of approximately RMB215.2 million recorded for the corresponding period in 2017, which was mainly attributable to (i) an increase in cost of sales caused by the increased price of raw materials; and (ii) the sales contracts for the period were mostly signed during or before the first half of 2017 and at relatively low unit pricing.

Gross profit of rail fastening system products decreased by approximately 16.1% to approximately RMB177.2 million in the first half of 2018 from approximately RMB211.2 million in the corresponding period of 2017. Gross profit margin of rail fastening system products decreased to approximately 35.8% in the first half of 2018 from approximately 44.9% in the first half of 2017, which mainly resulted from the higher price of steel as a principal raw material.

Gross profit of welding products climbed by approximately 76.7% to approximately RMB6.0 million in the first half of 2018 from approximately RMB3.4 million in the corresponding period of 2017. Gross profit margin grew to approximately 8.0% in the first half of 2018 from approximately 6.4% in the first half of 2017, which mainly resulted from a price increase in welding material products.

Selling and Distribution Expenses

Selling and distribution expenses of the Group increased to approximately RMB26.9 million for the first half year of 2018 from approximately RMB25.0 million recorded for the corresponding period in 2017. For the six months ended 30 June 2018 and 2017, selling and distribution expenses as a percentage of total revenue were approximately 4.7% and approximately 4.8%, respectively. Higher selling and distribution expenses were mainly led by the increase in transportation expenses, royalty fee, and staff remuneration and benefit costs.

General and Administrative Expenses

General and administrative expenses of the Group increased to approximately RMB26.7 million for the first half year of 2018 from approximately RMB21.5 million which has been restated for the corresponding period in 2017, is mainly due to the increase in service fees and employee remuneration. Due to the consequential disclosure requirements following the adoption of the new IFRS 9 from 1 January 2018, the Group has separately presented the impairment losses of receivables of RMB7.1 million incurred in the first half year of 2018, which has been included in "General and administrative expenses" before, as "Net impairment losses on financial assets" in the interim condensed consolidated income statement and restated the comparative figure (The first half year of 2017: RMB5.9 million).

Operating Profit

Based on the aforesaid reasons, the Group recorded an operating profit of approximately RMB130.1 million for the first half year of 2018, representing a decline of approximately 14.6% from approximately RMB152.4 million in the corresponding period of January to June in 2017, which was mainly attributable to higher cost of sales of rail fastening systems products.

Share of profits of an associate

For the first half year of 2018, the Group's share of profits of an associate was approximately RMB4.9 million, representing an increase of approximately RMB3.5 million from the corresponding period in 2017. This was mainly attributable to the capital increase in the associate Tieke Yichen during the period, which equipped the Company with an expanded scale, greater competitiveness in tendering activities and higher efficiency.

Finance Costs, Net

For the first half year of 2018, the Group incurred total finance cost of approximately RMB8.7 million, as compared to approximately RMB9.8 million incurred for first half year of 2017. The decrease in finance costs is mainly due to (i) decrease of interest expense and bank charges resulted from the reduction of borrowings scale and (ii) the slightly increase of interest income.

Foreign Exchange Losses

For the first half year of 2018, the Group realized foreign exchange losses of approximately RMB0.1 million, which decreased approximately RMB11.7 million compared with that recorded for the corresponding period in 2017. The foreign exchange losses were mainly derived from the process of converting Hong Kong dollar to RMB for the proceeds obtained from the listing of the Company. Due to the decline of amount of Hong Kong dollars held by the Group and the slight rise in the HKD exchange rate against RMB as of 30 June 2018, the exchange loss for the period has a decrease.

Income Tax Expense

Income tax expense of the Group increased to approximately RMB18.2 million for the first half year of 2018 from approximately RMB17.7 million in the corresponding period of 2017, which was mainly attributable to a decrease in the additional deduction of research and development expenses, which resulted in an increase of taxable income for the period.

Net Profit

Based on the aforesaid reasons, net profit decreased by approximately 14.4% to approximately RMB108.2 million for the period ended 30 June 2018, from approximately RMB126.3 million for the period ended 30 June 2017. Net profit margin declined from 24.0% for the period ended 30 June 2017 to 18.7% for the period ended 30 June 2018.

Profit Attributable to Equity Holders of the Company

For the first half year of 2018, the Group recorded a profit attributable to equity holders of the Company of approximately RMB106.9 million, representing a decrease of 15.3% from approximately RMB126.3 million for the same period of 2017. For the first half of 2018, basic earnings per share amounted to approximately RMB0.12, representing a decline of approximately 14.3% from the basic earnings of approximately RMB0.14 per share for the same period of 2017. The decrease in profit attributable to equity holders of the Company was mainly due to the decrease in net profit of the Group in the first half year of 2018.

Total Assets

As at 30 June 2018, the total assets of the Group were approximately RMB2,681.7 million, representing an increase of approximately 4.8% from approximately RMB2,557.9 million as at 31 December 2017. This was mainly because of (i) the increase in accounts receivable due to higher income, and (ii) the increase in construction in progress for the construction of the new factory.

Total Liabilities

As at 30 June 2018, the total liabilities of the Group were approximately RMB855.2 million, representing an increase of approximately RMB33.4 million or approximately 4.1% from that as at 31 December 2017. This was mainly due to (i) the increase in current income tax liabilities, and (ii) the increase in accounts payable for the purchase of raw materials.

Total Equity

As at 30 June 2018, the total equity of the Group was approximately RMB1,826.6 million, representing an increase of approximately RMB90.5 million from that as at 31 December 2017, which was mainly attributable to the increase in retained earnings.

Gearing Ratio

The Group monitors capital on the basis of the gearing ratio. The ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current bank borrowings as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as “total equity” as shown in the interim condensed consolidated statement of financial position plus net debt.

As at 30 June 2018, the Group’s gearing ratio was 6.7%, representing an increase of 2.4 percentage points from 4.3% as at 31 December 2017, mainly because of the decrease in cash and cash equivalents.

EMPLOYEE AND REMUNERATION POLICIES

As at 30 June 2018, the Group had a total of 1,090 employees (30 June 2017: 1,083). The Group incurred total staff costs of approximately RMB37.7 million for the first half year of 2018, representing an increase of approximately RMB4.9 million as compared with RMB32.8 million recorded for the corresponding period in 2017, which was mainly attributable to (i) the increase in employees of the Group; (ii) a larger provision base for social insurance and housing fund; and (iii) the Group’s increase of the basic salary for some key employees of the Group (excluding the directors and supervisors) in May 2018.

OTHER INFORMATION

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

As at 30 June 2018, 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 be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) which 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 Personal interest	Spouse interest	Deemed interest pursuant to Section 317 of the SFO (Note 1)	Total number	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)
Mr. Zhang Haijun (張海軍)	Director	130,008,992	N/A	467,258,382	587,552,774	87.25	65.44
Mr. Zhang Ligang (張立剛)	Director	27,034,580	N/A	573,248,394	587,552,774	87.25	65.44
Mr. Wu Jinyu (吳金玉)	Director	28,946,782	N/A	571,295,592	587,552,774	87.25	65.44
Mr. Zhang Chao (張超)	Director	18,726,392	N/A	581,732,982	587,552,774	87.25	65.44
Mr. Zhang Lihuan (張力歡)	Director	17,143,880	N/A	583,349,094	587,552,774	87.25	65.44
Ms. Fan Xiulan (樊秀蘭)	Director	923,132	N/A	N/A	942,732	0.14	0.11
Mr. Zhang Xiaosuo (張小鎖)	Supervisor	85,257,834	N/A	513,788,940	587,552,774	87.25	65.44
Ms. Liu Jiao (劉姣) (Note 4)	Supervisor	N/A	587,552,774	N/A	587,552,774	87.25	65.44

Notes:

(1) The relevant parties are members of the Controlling Shareholders Group. On 12 January 2018, they entered into a written agreement to, among others, confirm their acting-in-concert agreement. All the members of the Controlling Shareholders Group together control approximately 65.44% of the total share capital of our 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 2018, none of the Directors, Supervisors or chief executives of the Company had registered an interest and 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 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.

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

As at 30 June 2018, so far as known to the Directors, the interests or short positions of the persons (other than a Director, Supervisor or chief executive of the Company) in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO or which would fall to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO are as follows:

Long positions in the Shares of the Company:

Name	Class of Shares	Capacity/ Nature of interest	Number of Shares	Approximate percentage of shareholding in the relevant class (%) (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	587,552,774	87.25%	65.44%
Ms. Zhang Junxia (張軍霞) (Note 1)	Domestic Shares	Beneficial owner	85,455,648		
		Deemed interest pursuant to Section 317 of the SFO	513,586,926		
			587,552,774	87.25%	65.44%
Ms. Zhang Xiaoxia (張小霞) (Note 5)	Domestic Shares	Interest of spouse	587,552,774	87.25%	65.44%
Mr. Zhang Xiaogeng (張小更) (Note 1)	Domestic Shares	Beneficial owner	85,060,020		
		Deemed interest pursuant to Section 317 of the SFO	513,990,954		
			587,552,774	87.25%	65.44%
Ms. Sun Shujing (孫書京) (Note 6)	Domestic Shares	Interest of spouse	587,552,774	87.25%	65.44%
Ms. Zhang Xiaoxia (張曉霞) (Note 7)	Domestic Shares	Interest of spouse	587,552,774	87.25%	65.44%
Ms. Di Junping (翟軍平) (Note 8)	Domestic Shares	Interest of spouse	587,552,774	87.25%	65.44%
Ms. Zhang Weihuan (張偉環) (Note 9)	Domestic Shares	Interest of spouse	587,552,774	87.25%	65.44%
Mr. Zhang Lijie (張力杰) (Note 1)	Domestic Shares	Beneficial owner	18,726,392		
		Deemed interest pursuant to Section 317 of the SFO	581,732,982		
			587,552,774	87.25%	65.44%
Ms. Liu Lixia (劉麗霞) (Note 10)	Domestic Shares	Interest of spouse	587,552,774	87.25%	65.44%
Mr. Zhang Lifeng (張力峰) (Note 1)	Domestic Shares	Beneficial owner	18,726,392		
		Deemed interest pursuant to Section 317 of the SFO	581,732,982		
			587,552,774	87.25%	65.44%

Other Information

Name	Class of Shares	Capacity/ Nature of interest	Number of Shares	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	587,552,774	87.25%	65.44%
Ms. Zhang Yanfeng (張艷峰) (Note 1)	Domestic Shares	Beneficial owner	18,726,392		
		Deemed interest pursuant to Section 317 of the SFO	581,732,982		
			587,552,774	87.25%	65.44%
Mr. Zhang Weiwei (張偉衛) (Note 12)	Domestic Shares	Interest of spouse	587,552,774	87.25%	65.44%
Mr. Zhang Libin (張力斌) (Note 1)	Domestic Shares	Beneficial owner	17,143,880		
		Deemed interest pursuant to Section 317 of the SFO	583,349,094		
			587,552,774	87.25%	65.44%
Ms. Yin Yanping (尹彥萍) (Note 13)	Domestic Shares	Interest of spouse	587,552,774	87.25%	65.44%
Mr. Zhang Ning (張寧) (Note 1)	Domestic Shares	Beneficial owner	17,143,880		
		Deemed interest pursuant to Section 317 of the SFO	583,349,094		
			587,552,774	87.25%	65.44%
Ms. Huang Li (黃麗) (Note 14)	Domestic Shares	Interest of spouse	587,552,774	87.25%	65.44%
Ms. Zhang Hong (張宏) (Note 1)	Domestic Shares	Beneficial owner	17,143,880		
		Deemed interest pursuant to Section 317 of the SFO	583,349,094		
			587,552,774	87.25%	65.44%
Mr. Liu Chaohui (劉朝輝) (Note 15)	Domestic Shares	Interest of spouse	587,552,774	87.25%	65.44%
Mr. Zhang Ruiqiu (張瑞秋) (Note 1)	Domestic Shares	Beneficial owner	2,307,830		
		Deemed interest pursuant to Section 317 of the SFO	598,500,144		
			587,552,774	87.25%	65.44%
Ms. Gao Xiangrong (高香榮) (Note 16)	Domestic Shares	Interest of spouse	587,552,774	87.25%	65.44%
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%

Name	Class of Shares	Capacity/ Nature of interest	Number of Shares	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)
Bank of Communications (Nominee) Company Limited (Note 17)	H Shares	Interest in controlled corporation	33,669,000	15.00%	3.75%
Bank of Communications Co., Ltd. (Note 17)	H Shares	Interest in controlled corporation	33,669,000	15.00%	3.75%
Sino Wealthy Limited	H Shares	Beneficial owner	17,833,000	7.94%	1.99%
Bremwood Holdings Limited (Note 18)	H Shares	Interest in controlled corporation	17,833,000	7.94%	1.99%
Gauteng Focus Limited (Note 18)	H Shares	Interest in controlled corporation	17,833,000	7.94%	1.99%
Rentian Technology Holdings Limited (Note 18)	H Shares	Interest in controlled corporation	17,833,000	7.94%	1.99%
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%
Beijing Infrastructure Investment (Hong Kong) Limited	H Shares	Beneficial owner	38,102,000	16.97%	4.24%
Beijing Infrastructure Investment Co., LTD (Note 20)	H Shares	Interest in controlled corporation	38,102,000	16.97%	4.24%
GUOKONG (HONG KONG) INVESTMENT CO., LIMITED	H Shares	Beneficial owner	20,300,000	9.04%	2.26%
Shijiazhuang Guo Kong Investment Group Company Limited	H Shares	Interest in controlled corporation	20,300,000	9.04%	2.26%

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 65.44% of the total share capital of our Company. Under the SFO, each member of the Controlling Shareholders Group is deemed to be interested in the Shares beneficially owned by 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 (張海軍) is interested.

Other Information

(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) Bank of Communications (Nominee) Co. Ltd. is wholly owned by Bank of Communications Co., Ltd.; 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 Co., Ltd., 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) Beijing Infrastructure Investment (Hong Kong) Limited is wholly owned by Beijing Infrastructure Investment Co., LTD. Under the SFO, Beijing Infrastructure Investment Co., LTD is deemed to be interested in the H Shares beneficially owned by Beijing Infrastructure Investment (Hong Kong) Limited.

(21) GUOKONG (HONG KONG) INVESTMENT CO., LIMITED is wholly owned by Shijiazhuang Guo Kong Investment Group Company Limited. Under the SFO, Shijiazhuang Guo Kong Investment Group Company Limited is deemed to be interested in the H Shares beneficially owned by GUOKONG (HONG KONG) INVESTMENT CO., LIMITED.

Save as disclosed above, as at 30 June 2018, 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 REPORTING PERIOD

There was no other significant events occurred subsequent to the six months ended 30 June 2018 and up to the date of this report.

INTERIM DIVIDEND

The Board did not recommend the payment of any interim dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: Nil).

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 2018.

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 2018 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 2018.

COMPLIANCE WITH CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions of the Company by the directors and supervisors of the Company. Upon making specific enquiries to all of the directors and supervisors of the Company, all directors and supervisors of the Company confirmed that throughout the six months ended 30 June 2018, each of them had fully complied with the required standards set out in the "Model Code for Securities Transactions by Directors of Listed Issuers".

INDEPENDENT NON-EXECUTIVE DIRECTORS

During the six months ended 30 June 2018, the Board had complied with (1) the requirement that the board of directors of a listed issuer must include at least three independent non-executive directors under Rule 3.10(1) of the Listing Rules; (2) the requirement that at least one of the independent non-executive directors must have appropriate professional qualifications or accounting or related financial management expertise under Rule 3.10(2) of the Listing Rules; and (3) the requirement that the number of independent non-executive directors must represent at least one-third of the board of directors under Rule 3.10A of the Listing Rules.

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

Shijiazhuang, 24 August 2018