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Hebei Yichen Industrial Group Corporation Limited*
河北翼辰實業集團股份有限公司
(A joint stock limited liability company incorporated in the People's Republic of China)
(Stock Code: 1596)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2017

UNAUDITED INTERIM RESULTS

The board of directors (the "**Board**") of Hebei Yichen Industrial Group Corporation Limited (the "**Company**") is pleased to announce the unaudited interim condensed consolidated results of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2017, together with comparative figures as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME
For the six months ended 30 June 2017

	Note	**For the six months ended 30 June 2017**	
		2017	2016
		RMB'000	*RMB'000*
		(Unaudited)	(Audited)
Revenue	*3*	**525,591**	521,949
Cost of sales	*3*	**(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		**(9,793)**	(7,661)
Share of profits of an associate		**1,432**	2,745
Profit before income tax		**143,996**	184,760
Income tax expense	*7*	**(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)	*8*	**0.14**	0.23

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

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		**179,598**	110,087
Lease prepayment for land use rights		**136,097**	136,329
Intangible assets		**96**	111
Investments in an associate		**52,617**	51,185
Deferred income tax assets		**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	4	**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		**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		**10,000**	20,000
Deferred income from government grants		**5,990**	6,106
		15,990	26,106
Current liabilities			
Accounts payable	*5*	**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		**300,968**	351,410
Dividends payable	*9*	**149,939**	–
		966,034	715,096
Total liabilities		**982,024**	741,202
Total equity and liabilities		**2,598,098**	2,378,758

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 financial 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) 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.

- 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, the management expects IFRS 16 will not have significant impact on the financial position and financial performance of the Group.

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

3 SEGMENT INFORMATION

The Group's segment information is presented on the basis of internal reports that are regularly reviewed by the Group's chief operating decision maker, in order to allocate resources to the segments and assess their performance. For each of the Group's reportable segments, the Group's chief operating decision maker reviews internal management reports on monthly basis, at a minimum.

Management has determined the reporting segments based on these reports.

The Group considers the business from a product perspective:

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

- Welding material products: manufacturing and sales of welding materials

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

For the 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

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.

4 ACCOUNTS RECEIVABLE

	As at 30 June 2017	As at 31 December 2016
	RMB'000	*RMB'000*
	(Unaudited)	(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	As at 31 December 2016
	RMB'000	*RMB'000*
	(Unaudited)	(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 receivable are denominated in RMB and their carrying amounts approximate to fair values.

(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".

(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.

5 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

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

6 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	2016
	RMB'000	*RMB'000*
	(Unaudited)	(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/(gains) on disposal of fixed assets	**157**	(160)

7 INCOME TAX EXPENSE

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

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%.

8 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	2016
	RMB'000	*RMB'000*
	(Unaudited)	(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.

9 DIVIDENDS

The Board 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 per share (tax inclusive)) relating to the year ended 31 December 2016 was approved by the annual general meeting on 26 May 2017 and paid in July 2017.

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.

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.

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 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.

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 and employee 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 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 expense 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 the initial public offering 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 expenses 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 approximately 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 Company recorded the profit attributable to equity holders of the Company of RMB126.9 million, decreased by 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, decreased by approximately 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 approximately 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 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 approximately 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.

Events after Balance Sheet Date

Except for the dividends payment in July 2017, there was no any other significant subsequent events occurred.

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).

EMPLOYEE AND REMUNERATION POLICIES

As at 30 June 2017, the total number of employees in the Group was 1,083 (30 June 2016: 1,121). 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 offered rewards based on the Group's operating performance and the performance of individual employees.

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.

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.

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.

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 interim condensed consolidated results and interim report during the six months ended 30 June 2017 prepared in accordance with the IFRSs and agreed to the accounting principles and practices adopted by the Company.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This results announcement is published on the HKExnews website of the Stock Exchange at http://www.hkexnews.hk and on the website of the Company at http://www.hbyc.com.cn. The 2017 interim report containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company in due course and will be published on the websites of the Company and the Stock Exchange.

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

Shijiazhuang, PRC, 25 August 2017

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

* *For identification purpose only*