Hebei Yichen Industrial Group Corporation Limited*
河北翼辰實業集團股份有限公司

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

(Stock Code: 1596)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

FINANCIAL HIGHLIGHTS

- Revenue amounted to approximately RMB1,111.5 million, representing an increase of approximately 15.1% compared with that of 2017.
- Gross profit amounted to approximately RMB333.5 million, representing a decrease of approximately 2.0% compared with that of 2017.
- Profit before taxation amounted to approximately RMB213.1 million, representing an increase of approximately 4.1% compared with that of 2017.
- Profit for the year attributable to equity holders of the Company amounted to approximately RMB180.2 million, representing an increase of approximately 2.3% compared with that of 2017.
- For the year ended 31 December 2018, the basic and diluted earnings per share amounted to approximately RMB0.20.

FINAL DIVIDEND

- The board of directors has proposed a final dividend of RMB0.078 per share (tax inclusive) for the year ended 31 December 2018, with an aggregate amount of RMB70,031,520.

* *For identification purposes only*

FINANCIAL RESULTS

The board of directors (the "**Board**") of Hebei Yichen Industrial Group Corporation Limited (the "**Company**") is pleased to announce the consolidated results of the Company and its subsidiaries (the "**Group**", "**we**" or "**us**") for the year ended 31 December 2018 (the "**Year under Review**"), together with comparative figures for the year ended 31 December 2017 as follows:

1. CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2018

	Notes	**For the year ended 31 December 2018** *RMB'000*	2017 *RMB'000*
Revenue	*3*	**1,111,460**	965,898
Cost of sales		**(777,963)**	(625,656)
Gross profit		**333,497**	340,242
Selling and distribution expenses		**(54,375)**	(44,619)
General and administrative expenses		**(62,289)**	(65,401)
Other losses, net	*5*	**(5,545)**	(17,159)
Other income		**–**	3,250
Operating profit		**211,288**	216,313
Finance income		**1,421**	828
Finance costs		**(17,994)**	(21,243)
Finance costs, net	*6*	**(16,573)**	(20,415)
Share of profits of an associate		**18,365**	8,783
Profit before income tax		**213,080**	204,681
Income tax expense	*7*	**(30,917)**	(28,240)
Profit for the year		**182,163**	176,441
Equity holders of the Company		**180,169**	176,080
Non-controlling interests		**1,994**	361
		182,163	176,441
Basic and diluted earnings per share attributable to equity holders of the Company (RMB)	*8*	**0.20**	**0.20**

2. CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	For the year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Profit for the year	**182,163**	176,441
Other comprehensive income		
Item that may be reclassified subsequently to profit or loss:		
Change in fair value of available-for-sale financial assets	**–**	2,038
Total comprehensive income for the year	**182,163**	178,479
Attributable to:		
Equity holders of the Company	**180,169**	178,118
Non-controlling interests	**1,994**	361
Total comprehensive income for the year	**182,163**	178,479

3. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	As at 31 December 2018 RMB'000	2017 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		**349,136**	231,457
Lease prepayment for land use rights		**87,432**	134,680
Intangible assets		**71**	80
Investment in an associate		**125,373**	59,968
Deferred income tax assets	*10*	**18,346**	17,902
Prepayments for non-current assets		**6,918**	18,084
		587,276	462,171
Current assets			
Inventories		**280,439**	228,431
Accounts receivable	*11*	**1,275,806**	1,293,666
Advances to suppliers		**36,879**	20,256
Financial assets at fair value through profit or loss	*13*	**128,770**	–
Available-for-sale financial assets		**–**	141,155
Other receivables and prepayments		**26,235**	22,602
Restricted cash		**31,932**	99,773
Cash and cash equivalents		**150,110**	289,832
		1,930,171	2,095,715
Total assets		**2,517,447**	2,557,886

	Note	As at 31 December 2018 RMB'000	2017 RMB'000
LIABILITIES			
Non-current liabilities			
Bank borrowings		**30,000**	10,000
Deferred income from government grants		**5,641**	6,374
		35,641	16,374
Current liabilities			
Accounts payable	*12*	**407,297**	334,971
Contract liabilities		**3,605**	–
Advances from customers		**–**	11,168
Other payables and accruals		**65,679**	94,788
Current income tax liabilities		**12,769**	7,589
Bank borrowings		**94,810**	356,900
		584,160	805,416
Total liabilities		**619,801**	821,790
Net assets		**1,897,646**	1,736,096
EQUITY			
Share capital and reserves attributable to equity holders of Company			
Share capital		**448,920**	448,920
Other reserves		**906,016**	898,304
Retained earnings		**472,193**	317,423
		1,827,129	1,664,647
Non-controlling interests		**70,517**	71,449
Total equity		**1,897,646**	1,736,096

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION AND BASIS OF PREPARATION

The Company was incorporated in the People's Republic of China (the "**PRC**") on 9 April 2001. The address of the Company's registered office and headquarter is No.1, Yichen North Street, Gaocheng District, Shijiazhuang City, Hebei Province, the PRC.

The Group principally engaged in manufacturing and sale of rail fastening system products and flux cored wire products.

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

Pursuant to a shareholders' resolution on 30 November 2015, these 336,690,000 shares shall be further sub-divided into 673,380,000 shares of RMB0.50 per share, the sub-division was completed upon the Listing.

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

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

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

New and Amendments to IFRSs that are mandatorily effective for the current year

The Group has applied new and amendments to IFRSs and an Interpretation issued by the International Accounting Standards Board ("**IASB**") for the first time in the current year:

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers and the related Amendments
IFRIC – Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
Amendments to IAS 28	As part of the Annual Improvements to IFRSs 2014-2016 Cycle
Amendments to IAS 40	Transfers of Investment Property

Except as described below, the application of the new and amendments to IFRSs and an interpretation in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

The Group has adopted IFRS 9 and IFRS 15 from 1 January 2018, which resulted in changes in its accounting policies.

IFRS 15 Revenue from Contracts with Customers

The accounting policies were changed to comply with IFRS 15. IFRS 15 replaces the provisions of IAS 18 Revenue ("**IAS 18**") and IAS 11 Construction Contracts ("**IAS 11**") that relate to the recognition, classification and measurement of revenue and costs.

The management has reassessed its business model and contract terms to assess the effects of applying the new standards and there is no impact on the consolidated financial statements of the Group.

Revenue is recognised when or as the control of the asset is transferred to the customer.

Depending on the terms of the contract and the laws that apply to the contract, control of the asset may transfer over time or at a point in time.

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.

The Group has also voluntarily changed the presentation of advances from customers in relation to sales of inventory (RMB11,168,000) to contract liabilities in the consolidated statement of financial position as at 1 January 2018, to reflect the terminology of IFRS 15 and IFRS 9.

IFRS 9 Financial Instruments

The Group has adopted IFRS 9 Financial Instruments from 1 January 2018, which resulted in changes in accounting policies and adjustments to the amounts recognised in the consolidated financial statements. In accordance with the transition provisions in IFRS 9, the Group has adopted the modified retrospective approach for transition to the new financial instruments standard. The reclassification arising from the new standard is therefore not reflected in the consolidated statement of financial position as of 31 December 2017, but is recognised in the opening consolidated statement of financial position as at 1 January 2018.

Summary of effects arising from initial application of IFRS 9

The adjustments on the consolidated statement of financial position as at 1 January 2018 are summarised below:

Consolidated statement of financial position (extract)	*Notes*	**31 December 2017 as originally presented** *RMB'000*	**Impact on IFRS 9** *RMB'000*	**1 January 2018 (Restated)** *RMB'000*
Financial assets at fair value through profit or loss ("**FVTPL**")	*(i)*	–	141,155	141,155
Available-for-sale ("**AFS**") financial assets	*(i)*	141,155	(141,155)	–
Other reserves	*(i)*	898,304	(9,907)	888,397
Retained earnings	*(i)*	317,423	9,907	327,330

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 consolidated financial statements. In accordance with the transitional provisions in IFRS 9, comparative figures have not been restated.

(i) *Classification and measurement*

Reclassification from available-for-sale to FVTPL

Certain investments were reclassified from available-for-sale financial assets to financial assets at FVTPL (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 principal and interest.

Related accumulated fair value gains of RMB9,907,000 were transferred from AFS investment revaluation reserve to retained earnings on 1 January 2018.

(ii) *Impairment of financial assets*

The Group applies the IFRS 9 simplified approach to measuring expected credit losses ("**ECL**"), using lifetime expected loss allowance for accounts receivables. ECL for other financial assets at amortised cost, including advances to suppliers, other receivables, restricted cash and cash and cash equivalents, are measured on 12-month ECL basis as there had been no significant increase in credit risk since initial recognition. The Group found there was no impact of the change in impairment methodology on the Group's retained earnings and equity as at 1 January 2018 after assessing the adoption of new impairment methodology.

Trade receivables

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and ageing. 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**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	
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

New and Amendments to IFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

IFRS 16	Leases[1]
IFRS 17	Insurance Contracts[2]
IFRIC – Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to IFRS 3	Definition of a Business[4]
Amendments to IFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 1 and IAS 8	Definition of a Material[5]
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to IFRSs	Annual Improvements to IFRSs 2015–2017 Cycle[1]

[1] Effective for annual periods beginning on or after 1 January 2019
[2] Effective for annual periods beginning on or after 1 January 2021
[3] Effective for annual periods beginning on or after a date to be determined
[4] Effective for business combinations and asset acquisitions for which the acquisitions date is on or after the beginning of the first annual period beginning on or after 1 January 2020
[5] Effective for annual periods beginning on or after 1 January 2020

Other than described below, the directors of the Company consider the application of the new and amendments to IFRSs and interpretation would not have any material impact on the consolidated financial statements.

IFRS 16 was issued in January 2016. The removal of the distinction between operating and finance leases will result in the recognition of almost all leases on the statement of financial position. 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 change significantly.

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group had non-cancellable operating lease commitments of RMB2,120,000. As the operating lease is ending, the management is considering renewing the lease contracts. The management expects that IFRS 16 will not have a 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 the annual reporting periods beginning on or after 1 January 2019. The Group does not intend to adopt the standard before its effective date.

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.

The 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

- Flux cored wire products: manufacturing and sales of flux cored wire products

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 is as follows:

	Rail fastening system products *RMB'000*	**Flux Cored wire products** *RMB'000*	**Others** *RMB'000*	**Total** *RMB'000*
For the year ended 31 December 2018				
Total revenue	**927,912**	**169,468**	**14,080**	**1,111,460**
Inter-segment revenue	**–**	**–**	**–**	**–**
Revenue from external customers	**927,912**	**169,468**	**14,080**	**1,111,460**
Total cost of sales	**(613,883)**	**(154,069)**	**(10,011)**	**(777,963)**
Segment gross profit	**314,029**	**15,399**	**4,069**	**333,497**
Other profit & loss disclosure:				
Depreciation and amortisation	**14,362**	**2,547**	**3,294**	**20,203**
Provisions for/(reversal of) impairment of receivables	**8,398**	**(5,084)**	**(47)**	**3,267**
Impairment loss on inventories	**2,320**	**326**	**–**	**2,646**
Finance costs, net	**–**	**–**	**16,573**	**16,573**
For the year ended 31 December 2017				
Total revenue	795,189	165,483	5,226	965,898
Inter-segment revenue	–	–	–	–
Revenue from external customers	795,189	165,483	5,226	965,898
Total cost of sales	(467,015)	(154,804)	(3,837)	(625,656)
Segment gross profit	328,174	10,679	1,389	340,242
Other profit & loss disclosure:				
Depreciation and amortisation	14,457	2,586	4,658	21,701
Provisions for/(reversal of) impairment of receivables	26,755	(8,606)	390	18,539
Finance costs, net	–	–	20,415	20,415

The revenue from external parties reported to the Group's chief operating decision maker is measured in a manner consistent with that for the consolidated statement of profit or loss.

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

	For the year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Segment gross profit	**333,497**	340,242
Selling and distribution expenses, general and administrative expenses and finance costs, net	**(133,237)**	(130,435)
Other losses, net	**(5,545)**	(17,159)
Share of profits of an associate	**18,365**	8,783
Other income	**–**	3,250
Profit before income tax	**213,080**	204,681
Income tax expense	**(30,917)**	(28,240)
Profit for the year	**182,163**	176,441

For the years ended 31 December 2018 and 2017, over 95% of the Group's revenue was generated in the PRC.

4 EXPENSE BY NATURE

	For the year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Raw materials used	**709,299**	571,020
Changes in inventories of finished goods and work-in-progress	**(48,126)**	(46,922)
Employee benefit costs	**82,222**	71,254
Transportation and warehouse expenses	**29,225**	21,533
Depreciation on property, plant and equipment	**18,264**	18,845
Amortisation on		
– land use rights	**1,902**	2,825
– intangible assets	**37**	31
Impairment loss on trade and other receivables	**3,267**	18,539
Impairment loss on inventories	**2,646**	–
Royalty fee	**11,069**	8,362
Utilities	**41,325**	30,196
Operating lease expenses	**1,025**	1,034
Office and travel expenses	**3,513**	3,345
Sales tax and levies	**8,368**	11,946
Service fees and charges	**8,474**	3,144
Product examination costs	**1,178**	1,323
Remuneration of the Company's auditor		
– audit and review services	**4,559**	3,255
– non-audit services	**–**	486
Others	**16,380**	15,460
Total cost of sales, selling and distribution expenses, and general and administrative expenses	**894,627**	735,676

5 OTHER LOSSES, NET

	For the year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Fair value loss on financial assets at FVTPL	**(12,385)**	–
Amortisation of deferred income	**733**	232
Income related to government grants *(Note (i))*	**1,530**	5,001
Gain on disposal of land use rights *(Note (ii))*	**1,654**	–
Gain/(loss) on disposal of property, plant and equipment	**7**	(157)
Donation expenses	**(392)**	(3,420)
Net foreign exchange gains/(losses)	**3,589**	(19,016)
Others	**(281)**	201
	(5,545)	(17,159)

Note (i): Income related to government grants mainly comprises the local government's bonus for the successful redevelopment of its new plant area.

Note (ii): In January 2018, the Group and the other shareholder have injected additional capital to the associate, Tieke Yichen, in proportion to their share holdings in the associate. The Group has completed the capital increase with land use right at fair value of RMB47,000,100 and cash of RMB39,900. The net book value of the land is RMB45,346,000, resulted in a gain of RMB1,654,000 on disposal of land use rights.

6. FINANCE COSTS, NET

	For the year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Finance income		
Interest income on bank deposits	**1,421**	828
Finance costs		
Interest expense on bank borrowings	**(17,142)**	(19,485)
Bank charges and others	**(852)**	(1,758)
	(17,994)	(21,243)
Finance costs, net	**(16,573)**	(20,415)

7 INCOME TAX EXPENSE

	For the year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Current income tax	**31,361**	30,672
Deferred income tax	**(444)**	(2,432)
	30,917	28,240

As at 12 November 2018, the Company was re-certified as "High Tech Enterprise" of Hebei province (河北省高新技術企業), valid for three years (from year 2018 to year 2020) and enjoyed the preferential income tax rate of 15%.

Provision for PRC enterprise income tax is calculated based on the applicable income tax rate of 15% for the year 2017 and 2018 on the assessable income of respective group entities in accordance with relevant PRC enterprise income tax rules and regulations.

The tax charge for the year can be reconciled to the profit before income tax in the consolidated statement of profit or loss as follows:

	For the year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Profit before income tax	**213,080**	204,681
Tax calculated at the statutory tax rate (15%)	**31,962**	30,702
Income not subject to tax	**(2,755)**	(1,317)
Expenses not deductible for tax purposes	**215**	183
Additional deduction of research and development expenses	**(253)**	(140)
Others	**1,748**	(1,188)
Tax charge for the year	**30,917**	28,240

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 year.

	For the year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Profit attributable to equity holders of the Company	**180,169**	176,080
Weighted average number of ordinary shares in issue (thousands)	**897,840**	897,840
Basic earnings per share (RMB per share)	**0.20**	0.20

There were no potential dilutive ordinary shares for the years ended 31 December 2018 and 2017. Diluted earnings per share were equal to basic earnings per share.

9 DIVIDENDS

	For the year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Dividends paid/declared	**17,687**	149,939

Final dividend for the year ended 31 December 2017 of RMB0.0197 (tax inclusive) per share, amounting to a total dividend of RMB17,687,448, was paid in 2018. The final dividend for the year ended 31 December 2016 of RMB0.167 (tax inclusive) per share, amounting to a total dividend of RMB149,939,280, was paid in 2017.

Pursuant to the resolution of the board of directors on 6 June 2019, a dividend in respect of the year ended 31 December 2018 of RMB0.078 (tax inclusive) per share, amounting to a total dividend of RMB70,031,520, is proposed and to be approved by the annual general meeting on 29 July 2019. The consolidated financial statements do not reflect this dividend payable.

10 DEFERRED INCOME TAX ASSETS

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Deferred income tax assets:		
– to be recovered after more than 12 months	**17,462**	16,792
– to be recovered within 12 months	**884**	2,858
	18,346	19,650
Deferred tax liabilities pursuant to set-off provisions	**–**	(1,748)
Net deferred income tax assets	**18,346**	17,902

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

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

Deferred income tax assets	**Provision for impairment losses**	**Accrued expenses**	**Financial assets at FVTPL**	**Others**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2017	13,578	3,130	–	510	17,218
(Charged)/credited to profit loss	2,806	(271)	–	(103)	2,432
At 31 January 2017 and 1 January 2018	16,384	2,859	–	407	19,650
(Charged)/credited to profit or loss	841	(2,084)	110	(171)	(1,304)
At 31 December 2018	17,225	775	110	236	18,346

(b) The movement in deferred income tax liabilities of the Group is as follows:

	Financial assets measured at FVTPL	**Available-for-sale financial assets**
	RMB'000	*RMB'000*
At 1 January 2017	–	–
Charged to other comprehensive income	–	1,748
At 31 December 2017 and 1 January 2018	**–**	**1,748**
Adjustment on adoption of IFRS 9	**1,748**	**(1,748)**
At 1 January 2018 (restated)	**1,748**	**–**
Credited to profit or loss	**(1,748)**	**–**
At 31 December 2018	**–**	**–**

11 ACCOUNTS RECEIVABLE

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Trade receivables	**1,365,326**	1,353,175
Less: loss allowance	**(104,212)**	(102,802)
	1,261,114	1,250,373
Notes receivable	**14,692**	43,293
	1,275,806	1,293,666

The ageing analysis, based on invoice date (or the date of recognition, if earlier) of trade receivables is as follows:

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Within 1 year	**1,123,726**	989,142
1 to 2 years	**108,668**	228,926
2 to 3 years	**57,415**	92,829
Over 3 years	**75,517**	42,278
	1,365,326	1,353,175

The ageing analysis, based on invoice date (or the date of revenue recognition, if earlier) of trade receivables (net of impairment) is as follows:

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Within 1 year	**1,101,252**	895,102
1 to 2 years	**97,801**	228,926
2 to 3 years	**40,191**	91,170
Over 3 years	**21,870**	35,175
	1,261,114	1,250,373

Individually impaired receivables mainly relate to some flux cored wire products customers which are under litigation with the Company. It was assessed that all of the receivables may not be recoverable, and the Company had made full provision for these receivables. The ageing of these impaired receivables is as follows:

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Within 1 year	**–**	–
1 to 2 years	**–**	–
2 to 3 years	**–**	8,629
Over 3 years	**8,687**	133
	8,687	8,762

The provision for impairment of collectively assessed receivables is as follows:

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Within 1 year	**22,474**	18,773
1 to 2 years	**10,867**	22,893
2 to 3 years	**17,224**	21,570
Over 3 years	**44,960**	30,804
	95,525	94,040

The movements on the provision for impairment of trade receivables as of 31 December 2018 and 2017 are as follows:

	RMB'000
As at 1 January 2017	85,445
Provision for impairment	25,963
Reversal of impairment	(8,606)
As at 31 December 2017 and 1 January 2018	102,802
Provision for impairment	1,485
Reversal of impairment	(75)
As at 31 December 2018	104,212

Substantially all accounts receivable are denominated in RMB.

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

12 ACCOUNTS PAYABLE

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Trade payables to associates and other related parties	**88,306**	50,163
Trade payables to third parties	**255,715**	239,260
Notes payable	**63,276**	45,548
	407,297	334,971

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

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Within 1 year	**324,458**	252,875
1 to 2 years	**6,260**	19,568
2 to 3 years	**3,100**	14,264
Over 3 years	**10,203**	2,716
	344,021	289,423

13 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Unlisted investment funds	**128,770**	–

As at 31 December 2018, the financial assets at FVTPL held by the Company is unlisted investment funds (William Financial Holding Merger and Acquisition Fund* (威廉金控併購基金)) with expected interest rate of 8% per annum and which is denominated in RMB.

	For the year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Fair value loss on financial assets at FVTPL recognised in profit or loss	**(12,385)**	–

* *For identification purposes only*

14 EVENT AFTER THE REPORTING PERIOD

On 8 March 2019, the Company's board of directors approved the proposal of acquiring 87.5% equity interest in Xingtai Juneng Railway Electrical Equipment Co. LTD (邢臺炬能鐵路電氣器材有限公司 (hereinafter referred to as "**Xingtai Juneng**")), a company incorporated in PRC engaged in the production and sales of railway sleepers. Pursuant to the equity transfer agreement entered on 9 March 2019 with a third party, the Group agreed to acquire from the third party 87.5% equity interest in Xingtai Juneng.

MANAGEMENT DISCUSSION AND ANALYSIS

Industrial Review and Analysis

2018 was a key year of transition for the country's "13th Five-Year Plan", and also a year for commencing high-quality development. China's economy saw progress amidst stability, where structural adjustments continued to deepen and the supply side structural reform was further promoted. Under the new norm of economic development, enhancing the quality and efficiency of railway construction, promoting the market-oriented operation of railway and further optimizing the safety assurance system are of great significance to the healthy development of the railway industry. Last year, the Hong Kong section of Guangzhou-Shenzhen-Hong Kong High-speed Railway commenced operation, which further upgraded the passenger transport network in the Great Bay Area and boosted the economic, social and cultural exchange and development within this area. In addition, China's high-speed railway layout was further optimized, as new high-speed rail routes such as Hangzhou-Huangshan High-speed Railway, Harbin-Jiamusi Rapid Railway and Harbin-Mudanjiang High-speed Railway were put into operation. In 2018, one would find rapid expansion of the railway network and multiple high-speed railway routes in operation. These, together with extensive application of new technologies and equipment, have raised higher requirements on standardization, a key strategy for China to build intelligent high-speed railways and obtain more extensive achievements in "Going Global".

Meanwhile, 2018 was also a fruitful year for China's railway construction. As pointed out in the 2019 Work Conference of China Railway Corporation, fixed asset investment on national railways amounted to RMB802.8 billion for the year 2018, with new investment amounting to RMB338.2 billion. Meanwhile, 26 new projects started construction and 4,683 km of new railway lines (including 4,100 km of high-speed railways) commenced operation. The actual investment scale, the new railway lines commencing construction, and the high-speed rail routes put into operation significantly exceeded the plan formulated at the beginning of the year. In Central and Western China, the construction of railway continued to strengthen; throughout the year, the railway infrastructure investment in Central and Western China amounted to RMB371.4 billion, which accounted for 66.7% of national railways, with 16 new projects commencing construction. As of the end of 2018, the operational mileage of national railways exceeded 131,000 km, including over 29,000 km of high-speed railways. The positive development environment of the railway industry has brought about enormous business opportunities for the Group. Meanwhile, the construction of rail transit network is speeding up in various cities. First-tier cities continue to extend their urban transit networks, which will grow into intercity railway networks; and second and third-tier cities will construct their urban transit networks step by step, to satisfy the increasing public demand for commuting. Moreover, there will be constant market demand for the Group in terms of repair and maintenance for all railways, as well as upgrade and replacement for old railways. In particular, high-speed, heavy-haul and urban-transit railways will be the main focus for future railway construction. Further driven by the "Belt and Road" initiative, there will be more opportunities for the Group to participate in overseas railway construction projects.

BUSINESS REVIEW

The Group is a leading rail fastening system provider in the PRC, with the major business focused on two segments, including (1) rail fastening systems, and (2) flux cored wire products. In 2018, the total revenue of the Group amounted to approximately RMB1,111.5 million, representing an increase of approximately 15.1%.

Rail Fastening System Products

For the year ended 31 December 2018, the revenue from rail fastening system products amounted to approximately RMB927.9 million, representing approximately 83.5% of the Group's total revenue, and an increase of approximately 16.7% over the revenue of approximately RMB795.2 million from this segment for last year. This was mainly because the major customers requested for larger shipments this year.

During the Year under Review, cost of sales relating to rail fastening system products increased, mainly attributable to an increase in both sales revenue and price of raw materials, leading to increase in the cost of sales correspondingly. During the Year under Review, the cost of sales relating to rail fastening system products amounted to approximately RMB613.9 million, which represented an increase of approximately 31.4% from approximately RMB467.0 million in 2017.

Owing to cost increases, the gross profit of rail fastening system products decreased from approximately RMB328.2 million in 2017 to approximately RMB314.0 million in 2018; and the gross profit margin declined from approximately 41.3% in 2017 to approximately 33.8% in 2018.

During the Year under Review, the initial value of agreements signed by the Group for the supply of rail fastening systems amounted to approximately RMB1,145.0 million, representing a decrease of approximately 12.8% when compared to 2017, among which the initial value of agreements signed for high speed rail fastening systems amounted to approximately RMB606.1 million, representing a decrease of approximately 15.1% when compared to 2017; the initial value of agreements signed for heavy haul rail fastening systems amounted to approximately RMB35.4 million; the initial value of agreements signed for urban transit fastening systems amounted to approximately RMB363.5 million; the initial value of agreements signed for traditional rail fastening systems amounted to approximately RMB140.0 million. As of 31 December 2018, the backlog of the Group amounted to approximately RMB1,548.4 million (value-added tax included).

Under the support from the development plan of national railway network such as the "13th Five Year Plan" and "Mid-to-Long Term Plan of Railway Network", it is expected that there will be growth in the Group's revenue from sales of rail fastening systems.

Flux Cored Wire Products

For the year ended 31 December 2018, the revenue from flux cored wire products amounted to approximately RMB169.5 million, representing approximately 15.2% of total revenue of the Group and an increase of approximately RMB4.0 million from approximately RMB165.5 million in 2017. The change in revenue was mainly attributable to the increase in demand due to better performance in the flux cored wire industry during the Year under Review, and increase in revenue in relation to flux cored wire products due to general increase in unit price of flux cored wire industry.

During the Year under Review, cost of sales from flux cored wire products decreased by approximately 0.5% to approximately RMB154.1 million in 2018 from approximately RMB154.8 million in 2017.

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

PERFORMANCE ANALYSIS AND DISCUSSION

Revenue

The Group's main business operations comprise the manufacturing and sales of rail fastening system products. The above business has brought sustained and stable revenue to the Group. In 2018, the revenue of the Group increased by approximately 15.1% from approximately RMB965.9 million in 2017 to approximately RMB1,111.5 million, mainly attributable to the increase in revenue from rail fastening system products.

Revenue relating to rail fastening system products increased by approximately 16.7% to approximately RMB927.9 million in 2018 from approximately RMB795.2 million in 2017, mainly because the major customers requested for larger shipments in current year.

Revenue relating to flux cored wire products increased by approximately 2.4% from approximately RMB165.5 million in 2017 to approximately RMB169.5 million in 2018. Changes in revenue of flux cored wire products were primarily resulted from fluctuations in the sales volume and the selling price of such materials. The sales volume and selling price of our flux cored wire products reflected the demand from our main flux cored wire products customers, which were primarily shipbuilding companies and trading companies operating in the shipbuilding industry. The better performance in the flux cored wire products industry in 2018 had led to increase in demand, while there was a general increase in unit price of flux cored wire products industry, leading to increase in revenue in relation to flux cored wire products.

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

Cost of sales

The Group's cost of sales increased by approximately 24.3% from approximately RMB625.7 million in 2017 to approximately RMB778.0 million in 2018, mainly attributable to the increase in the sales volume of rail fastening products and relevant costs.

Cost of sales relating to rail fastening system products increased by approximately 31.4% from approximately RMB467.0 million in 2017 to approximately RMB613.9 million in 2018, mainly attributable to the increase in both sales revenue and price of raw materials.

Cost of sales relating to flux cored wire products decreased by approximately 0.5% from approximately RMB154.8 million in 2017 to approximately RMB154.1 million in 2018.

Gross profit

Based on the aforesaid reasons, the Group recorded a gross profit of approximately RMB333.5 million in 2018, representing a decline of approximately 2.0% compared with the gross profit of approximately RMB340.2 million for the corresponding period in 2017, which was mainly attributable to the lower gross profit of rail fastening system products.

Gross profit of rail fastening system products decreased from approximately RMB328.2 million in the corresponding period of 2017 to approximately RMB314.0 million in 2018. Gross profit margin decreased from approximately 41.3% in 2017 to approximately 33.8% in the corresponding period of 2018, which was mainly attributable to the increase in cost of raw materials in 2018.

The gross profit of flux cored wire products increased by approximately 44.2% from approximately RMB10.7 million in 2017 to approximately RMB15.4 million in the corresponding period of 2018. Gross profit margin increased from approximately 6.5% in 2017 to approximately 9.1% in the corresponding period of 2018, which was mainly attributable to the increase in sales volume and unit price of flux cored wire products for the year 2018.

Selling and distribution expenses

Distribution expenses of the Group increased to approximately RMB54.4 million in 2018 from approximately RMB44.6 million in 2017. For the years ended 31 December 2017 and 2018, selling and distribution expenses as a percentage of total revenue were approximately 4.6% and approximately 4.9%, respectively. The increase in selling and distribution expenses was mainly attributable to the increase in relevant transportation, warehousing expenses and staff benefit costs.

General and administrative expenses

General and administrative expenses of the Group decreased by approximately 4.8% to approximately RMB62.3 million in 2018 from approximately RMB65.4 million in 2017. For the years ended 31 December 2017 and 2018, general and administrative expenses as a percentage of total revenue were approximately 6.8% and approximately 5.6% respectively, which was mainly due to the decrease in provision for impairment on trade receivables.

Operating profit

Based on the aforesaid reasons, the Group recorded an operating profit of approximately RMB211.3 million in 2018, representing a decrease of approximately 2.3% from an operating profit of approximately RMB216.3 million in the corresponding period of 2017.

Finance costs

In 2018, the Group incurred total net finance costs of approximately RMB16.6 million, representing a decrease of approximately 18.8% from total net finance costs of approximately RMB20.4 million in the corresponding period of 2017. Of the total amount, finance income increased by approximately 71.7% to approximately RMB1.4 million from approximately RMB0.8 million in 2017. Higher finance income were mainly attributable to the increase in interest income incurred by the higher deposits for the year. Finance costs decreased by approximately 15.3% to approximately RMB18.0 million from approximately RMB21.2 million in 2017, which was mainly attributable to fewer loans.

In 2018, the Group realised foreign exchange gains of approximately RMB3.6 million, which was mainly due to depreciation of Renminbi against Hong Kong dollar, resulting in an increase in foreign exchange gains incurred as the Group converted the proceeds from the global offering of shares from Hong Kong dollars into Renminbi.

Profits of an associate

In 2018, the Group's share of profits of an associate was approximately RMB18.4 million, representing an increase of approximately 109.1% from share of profits of approximately RMB8.8 million in the corresponding period in 2017 which was mainly attributable to the increase in profit of the associate incurred by the increase in its revenue.

Income tax

Income tax expenses of the Group increased by approximately 9.5% to RMB30.9 million in 2018 from RMB28.2 million in 2017, mainly attributable to the increase in taxable income.

The applicable corporate tax rates for the Company were 15% for both 2018 and 2017.

Net profit

Based on the aforesaid reasons, net profit increased by approximately RMB5.7 million or approximately 3.2% to approximately RMB182.2 million for the year ended 31 December 2018 from approximately RMB176.4 million for the year ended 31 December 2017. Net profit margin decreased to 16.4% for the year ended 31 December 2018 from 18.3% for the year ended 31 December 2017, which was mainly attributable to (i) increase in cost of sales and gross profit margin declines; and (ii) fair value loss on financial assets at fair value through profit or loss.

Profit attributable to equity holders of the Company

The Group recorded profit attributable to equity holders of the Company of approximately RMB180.2 million in 2018, representing an increase of approximately 2.3% from approximately RMB176.1 million in 2017. Basic earnings per share amounted to approximately RMB0.20 in 2018, remained the same as the basic earnings per share of approximately RMB0.20 in 2017.

Financial resources and capital structure

As at 31 December 2018, the Group had cash and cash equivalents of approximately RMB150.1 million, accounts receivable of approximately RMB1,275.8 million, accounts payable of approximately RMB407.3 million, and outstanding borrowings of approximately RMB124.8 million. As at 31 December 2018, the above cash and cash equivalents in Renminbi included approximately RMB68.4 million equivalents of Hong Kong dollars.

As at 31 December 2017, the Group had cash and cash equivalents of approximately RMB289.8 million, accounts receivable of approximately RMB1,293.7 million, accounts payable of approximately RMB335.0 million, and outstanding borrowings of approximately RMB366.9 million.

The Group usually satisfies its daily working capital requirements through self-owned cash and borrowings. In December 2016, the Company completed the listing on the main board of the Hong Kong Stock Exchange and issued a total of 224,460,000 H shares. As at 31 December 2018, the outstanding borrowings of the Group included short-term borrowings and long-term borrowings of approximately RMB94.8 million and approximately RMB30.0 million, respectively. The Group will promptly repay the aforesaid borrowings at maturity.

Total assets

As at 31 December 2018, the total assets of the Group were approximately RMB2,517.4 million, representing a decrease of approximately RMB40.4 million or approximately 1.6% as compared with that as at 31 December 2017, mainly attributable to (i) repayment of bank borrowings; and (ii) decrease in accounts receivable.

Total liabilities

As at 31 December 2018, the total liabilities of the Group were approximately RMB619.8 million, representing a decrease of approximately RMB202.0 million or approximately 24.6% as compared with that as at 31 December 2017, mainly attributable to a decrease in bank borrowings.

Total equity

As at 31 December 2018, the total equity of the Group was RMB1,897.6 million, representing an increase of approximately RMB161.5 million as compared with that as at 31 December 2017, mainly attributable to increase in net profits and retained earnings of the Group.

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 consolidated statement of financial position) less cash and bank deposits. Total capital is calculated as total equity as shown in the consolidated balance sheet plus the aforementioned net debt.

As at 31 December 2018, the Group's gearing ratio was -1%, representing a decrease of 5 percentage points from 4% as at 31 December 2017, mainly attributable to the decrease in bank deposit and borrowings for the period.

Employee and remuneration policies

As at 31 December 2018, the Group incurred total staff costs of approximately RMB82.2 million for 1,136 employees, representing an increase of approximately RMB11.0 million or approximately 15.4% compared to the same period of 2017, which was mainly attributable to (i) the increase in average salary for employees of the Group; and (ii) the increase in provision base for social insurance and housing provident fund.

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

Future prospects

In 2019, fixed asset investment on railways is estimated to be around RMB800 billion while the mileage of new railway to be operated is estimated to be 6,800 km, among which the mileage of high-speed railway is 3,200 km. The Group will continue to focus on the rail fastening systems and provide professional products and services for China's railway. Along with the further development of "Eight Horizontal and Eight Vertical High-speed Railway Corridors" (高速鐵路的八縱八橫) and urban rail transit network pursuant to the "Mid-to-Long Term Plan of Railway Network" (《中長期鐵路網規劃》), the Group will continue to expand its production capacity so as to meet the growing market demand, and shall focus mainly on the high-speed rail fastening systems, while continuing to increase its market share in heavy haul rail fastening systems, urban rail transit fastening systems and traditional rail fastening systems at the same time. The Group shall constantly accumulate our experience in the industry, expand our customer base and reinforce our position in the industry of rail fastening systems. With the continuous advancement of "One Belt and One Road", the Group hopes to promote our advanced experience, technologies and products in relation to high-speed rail fastening systems that meet the PRC standard over the world through carrying on business.

In 2019, the Group will continue to enhance and upgrade the automated production facilities, optimise the production process and the information system and establish an efficient automated production line in order to further reduce costs and enhance efficiency. Moreover, the Group will closely follow up with market trends, firmly seize the market opportunities and actively explore the opportunities of acquiring high quality assets in relation to the rail fastening systems, so as to enhance the core competitiveness and profitability of the Group and reward our shareholders and investors.

EVENTS AFTER THE YEAR UNDER REVIEW

On 8 March 2019, the Board of the Company approved the proposal of acquiring 87.5% equity interest in Xingtai Juneng Railway Electrical Equipment Co. LTD (邢臺炬能鐵路電氣器材有限公司 (hereinafter referred to as "**Xingtai Juneng**")), a company incorporated in PRC engaged in the production and sales of railway sleepers. Pursuant to the equity transfer agreement entered on 9 March 2019 with a third party, the Group agreed to acquire from the third party 87.5% equity interest in Xingtai Juneng.

USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING OF THE COMPANY'S SHARES

The net proceeds from the initial public offering of the H shares of the Company amounted to approximately RMB579.8 million. As at 31 December 2018, the net proceeds had been utilised according to the designated uses set out in the prospectus of the Company dated 9 December 2016 as follows:

Designated use of net proceeds	**% of net proceeds allocated**	**Allocated amount**	**Utilised as at 31 December 2018**	**Unutilised as at 31 December 2018**
		RMB'000	*RMB'000*	*RMB'000*
Expansion of production capacity and fixed asset investments	31.00%	179,732	179,674	58
Domestic and overseas acquisitions	15.00%	86,967	–	86,967
Purchase of raw materials	15.00%	86,967	86,532	435
R&D and testing of new products	15.00%	86,967	86,835	132
Deposits for project bids	10.00%	57,978	57,978	–
Working capital	10.00%	57,978	57,978	–
Upgrade of information systems and automated production facilities	4.00%	23,191	13,727	9,464
Total	100.00%	579,780	482,724	97,056

PUBLIC FLOAT

Based on the publicly available information to the Company and within the knowledge of the directors of the Company (the "**Directors**"), not less than 25% of the Shares of the Company in issue are held by the public for the year ended 31 December 2018, according to the requirement of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "**Listing Rules**").

ANNUAL GENERAL MEETING

The annual general meeting (the "**AGM**") of the Company will be held on Monday, 29 July 2019. Shareholders may refer to the notice, reply slip and form of proxy of the AGM to be despatched by the Company for details regarding the AGM.

FINAL DIVIDEND

The Board resolved to recommend the payment of a final dividend of RMB0.078 (tax inclusive) per share for the year ended 31 December 2018 (the "**2018 Final Dividend**") with an aggregate net amount of RMB70,031,520 to shareholders of the Company (the "**Shareholders**") whose names are listed on the Company's register of members as at 11 August 2019, subject to the approval by the Shareholders at the forthcoming AGM to be held on 29 July 2019. Once the relevant resolution is passed in the AGM, the 2018 Final Dividend is expected to be paid on or around 20 September 2019.

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

According to the Articles of Association, dividends will be denominated and declared in Renminbi. Dividends on domestic shares will be paid in Renminbi and dividends on H shares will be paid in foreign currencies. The relevant exchange rate will be the average middle exchange rate as announced by the People's Bank of China for one calendar week prior to the date of declaration of dividends.

In accordance with the tax laws and relevant requirements under taxation regulatory institutions of the PRC, the Company is required to withhold 10% enterprise income tax when it distributes the 2018 Final Dividend to all non-resident enterprise shareholders (including HKSCC Nominees Limited, other nominees, trustees or other entities and organisations, who will be deemed as non-resident enterprise shareholders) whose names appear on the H share register of members of the Company on Sunday, 11 August 2019.

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

As such, when distributing the 2018 Final Dividend pursuant to the register of members of domestic corporate investors as holders of H shares of the Company as at Sunday, 11 August 2019 provided by China Securities Depository and Clearing Corporation Limited ("**China Clearing**"), the Company shall not withhold tax on dividend for the domestic corporate investors. The tax payable shall be reported and paid by the enterprises themselves.

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

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

As such, when distributing the 2018 Final Dividend pursuant to the register of members of domestic individual investors (including domestic securities investment funds) as holders of H shares of the Company as at Sunday, 11 August 2019 provided by China Clearing, the Company shall withhold and pay individual income tax in accordance with the requirements mentioned above on behalf of the investors.

Pursuant to the Notice on Matters concerning the Levy and Administration of Individual Income Tax after the Repeal of Guo Shui Fa [1993] No. 045 (《關於國稅發[1993]045號檔廢止後有關個人所得稅徵管問題的通知》) issued by the State Taxation Administration and the letter titled "Tax Arrangements on Dividends Paid to Hong Kong Residents by Mainland Companies" issued by the Stock Exchange, the overseas resident individual shareholders of the shares issued by domestic non-foreign invested enterprises in Hong Kong are entitled to the relevant preferential tax treatment pursuant to the provisions in the tax arrangements between the countries where they reside and China and the tax arrangements between mainland China and Hong Kong (Macau). The Company shall identify the residential status of Individual H Shareholders according to their registered addresses on the H share register of members of the Company on Sunday, 11 August 2019 (the "**Registered Address**"). The Company assumes no responsibility and disclaims all liabilities whatsoever in relation to the tax status or tax treatment of the Individual H Shareholders and for any claims arising from any delay in or inaccurate determination of the tax status or tax treatment of the Individual H Shareholders or any disputes over the withholding mechanism or arrangements. Details of arrangements are as follows:

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

- For Individual H Shareholders who are residents of a country (region) which has entered into a tax treaty with the PRC stipulating a tax rate of less than 10%, the Company will temporarily withhold and pay individual income tax at the rate of 10% on behalf of these Individual H Shareholders in the distribution of the final dividend. If relevant Individual H Shareholders would like to apply for a refund of the excess amount of tax withheld and paid, the Company will handle, on their behalf, the applications for tax preferential treatments under relevant tax treaties according to the Tax Notice (《税收通知》). Qualified shareholders please submit in time a letter of entrustment and all application materials as required under the Tax Notice to the Company's H share registrar, Computershare Hong Kong Investor Services Limited. The Company will then submit the above documents to competent tax authorities for their examination, and if and when approved, the Company will assist in refunding the excess amount of tax withheld and paid;

- For Individual H Shareholders who are resident of a country (region) which has entered into a tax treaty with the PRC stipulating a tax rate of more than 10% but less than 20%, the Company will withhold and pay individual income tax at the effective tax rate stipulated in the relevant tax treaty on behalf of these Individual H Shareholders in the distribution of the final dividend; and

- For Individual H Shareholders who are residents of a country (region) which has entered into a tax treaty with the PRC stipulating a tax rate of 20%, or a country (region) which has not entered into any tax treaties with the PRC, or under any other circumstances, the Company will withhold and pay individual income tax at the rate of 20% on behalf of these Individual H Shareholders in the distribution of the final dividend.

If the domicile of an Individual H Shareholder is not the same as the Registered Address or if the Individual H Shareholder would like to apply for a refund of the final excess amount of tax withheld and paid, the Individual Shareholder shall notify and provide relevant supporting documents to the Company on or before Monday, 5 August 2019. Upon examination of the supporting documents by the relevant tax authorities, the Company will follow the guidance given by the tax authorities to implement relevant tax withholding and payment provisions and arrangements. Individual H Shareholders may either personally or appoint a representative to attend to the procedures in accordance with the relevant requirements under the "Administrative Measures on Preferential Treatment Entitled by Non-residents under Tax Treaties" (Guo Shui Fa [2015] No. 60) (《非居民納稅人享受稅收協定待遇管理辦法》(國稅發[2015]60號)) if they fail to provide the relevant supporting documents to the Company before the time limit stated above.

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

CLOSURE OF REGISTER OF MEMBERS

In order to determine the list of shareholders who are entitled to attend and vote at the AGM to be held on Monday, 29 July 2019, the register of members of the Company will be closed from Friday, 28 June 2019 to Monday, 29 July 2019, both days inclusive, during which no transfer of shares will be registered. Holders of H shares and domestic shares whose names appear on the register of members of the Company on Monday, 29 July 2019 are entitled to attend and vote at this AGM. Holders of H shares of the Company intended to attend and vote at this AGM shall lodge all share transfer documents together with the relevant H share certificates with the Company's H share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, no later than 4:30 p.m. on Thursday, 27 June 2019 (Hong Kong time) for registration.

In order to determine the list of shareholders who are entitled to the 2018 Final Dividend, the register of members of the Company will be closed from Tuesday, 6 August 2019 to Sunday, 11 August 2019, both days inclusive, during which no transfer of shares will be registered. Holders of H shares and domestic shares whose names appear on the register of members of the Company on Sunday, 11 August 2019 are entitled to the 2018 Final Dividend. Holders of H shares of the Company intended to receive the 2018 Final Dividend shall lodge all share transfer documents together with the relevant H share certificates with the Company's H share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, no later than 4:30 p.m. on Monday, 5 August 2019 (Hong Kong time) for registration.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

The Company and its subsidiaries did not purchase, sell or redeem any of the listed securities of the Company during the year ended 31 December 2018.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

As a company listed on the Hong Kong 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 for the year ended 31 December 2018.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions of the Company by the Directors and supervisors of the Company. Upon making specific enquiries to all of the Directors and supervisors of the Company, all Directors and supervisors of the Company confirmed that for the year ended 31 December 2018, each of the Directors and supervisors of the Company had fully complied with the required standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers.

AUDITOR

Purusant to Rule 13.49(2) of the Listing Rules, the financial figures in respect of the Group's consolidated statement of financial position, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2018 as set out in this announcement have been agreed by the Group's auditor, Confucius International CPA Limited ("**Confucius**") to the amounts set out in the Group's consolidated financial statements for the year in accordance with Hong Kong Standard on Related Services 4400, "Engagements to Perform Agreed-Upon Procedures Regarding Financial Information" issued by the Hong Kong Institute of Certified Public Accountants and the amounts were found to be in agreement. The work performed by Confucius in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Confucius on this results announcement.

AUDIT COMMITTEE

The audit committee of the Company has reviewed the Group's 2018 annual results and the financial statements for the year ended 31 December 2018 prepared in accordance with the IFRSs.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This results announcement is published on the HKExnews website of the Hong Kong Stock Exchange at http://www.hkexnews.hk and on the website of the Company at http://www.hbyc.com.cn. The 2018 annual report containing all the information required by the Listing Rules will be despatched to the Shareholders in due course and will be published on the websites of the Company and the Hong Kong Stock Exchange.

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

Shijiazhuang, PRC, 11 June 2019

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 purposes only*