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 2019

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 2019 (all amounts in RMB'000 unless otherwise stated), together with comparative figures as follows:

CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2019

		Notes	For the six months ended 30 June 2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited) (Restated)
I.	**Total operating income**	*6*	**447,330**	578,339
II.	**Total operating cost**		**375,028**	455,494
	Including: Cost of sales	*6*	**304,102**	360,246
	Taxes and surcharges		**2,308**	6,419
	Selling expenses		**23,645**	26,873
	General and administrative expenses		**24,622**	25,673
	Research and development expense		**16,091**	27,507
	Finance costs		**4,260**	8,776
	Including: Financial costs		**3,159**	9,153
	Interest income		**230**	630
	Add: Other income		**317**	136
	Investment profits		**19,758**	4,875
	Including: Gains on investments in associates and joint ventures		**19,758**	4,875
	Gain from change in fair value		**730**	4,662
	Loss on credit impairment		**3,531**	(7,815)
	Impairment loss of assets		**(1,527)**	–
	Gains on disposal of asset			1,654
III.	**Operating profits**		**95,111**	126,357
	Add: Non-operating incomes		**40**	47
	Less: Non-operating expenses			100
IV.	**Total Profit**		**95,151**	126,304
	Less: Income tax expenses	*7*	**10,927**	18,153

CONSOLIDATED INCOME STATEMENT (Continued)
For the six months ended 30 June 2019

	Notes	For the six months ended 30 June 2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited) (Restated)
V. Net profit		**84,224**	108,151
(I) Classified according to continuity:			
1. Net profit from continuing operations		**84,224**	108,151
2. Net profit from discontinued operations			
(II) Classified according to equity holdings:			
1. Net profit attributable to owners of the parent company		**83,049**	106,929
2. Profit and loss of minority interests		**1,175**	1,222
VI. Other comprehensive income after tax, net			
Other comprehensive income after tax attributable to owners of the parent, net			
(I) Other comprehensive income which cannot be subsequently reclassified to profit or loss			
(II) Other comprehensive income which will be subsequently reclassified to profit or loss			
1. Profits and losses from change in fair value of AFS financial assets			
2. Differences on translation of foreign currency financial statements			
3. Others			
VII. Total other comprehensive income		**84,224**	108,151
Total comprehensive income attributable to owners of the parent		**83,049**	106,929
Total comprehensive income attributable to minority interests		**1,175**	1,222
VIII. Earnings per share:			
Basic earnings per share *(RMB)*	*8*	**0.09**	0.12
Diluted earnings per share *(RMB)*		**0.09**	0.12

CONSOLIDATED BALANCE SHEET
As at 30 June 2019

	Notes	**30 June 2019** *RMB'000* **(Unaudited)**	31 December 2018 *RMB'000* (Audited) (Restated)
Current assets			
Monetary Capital		**212,164**	182,042
Financial assets at fair value through profit or loss for the current period			128,770
Notes receivables	*4*	**23,528**	14,692
Accounts receivables	*4*	**1,095,491**	1,261,114
Prepayments		**87,053**	36,879
Other receivables		**21,077**	18,009
Inventories		**352,581**	280,439
Other current assets		**15,109**	8,226
Total current assets:		**1,807,003**	1,930,171
Non-current assets:			
Long-term equity investments		**145,131**	125,373
Fixed assets		**112,354**	92,092
Construction in progress		**304,516**	257,044
Right-of-use assets		**1,387**	
Intangible assets		**91,980**	87,503
Goodwill		**113,677**	
Deferred income tax assets		**18,210**	18,346
Other non-current assets		**17,174**	6,918
Total non-current assets		**804,429**	587,276
Total assets		**2,611,432**	2,517,447

CONSOLIDATED BALANCE SHEET (Continued)
As at 30 June 2019

	Notes	**30 June 2019** *RMB'000* **(Unaudited)**	31 December 2018 *RMB'000* (Audited) (Restated)
Current liabilities			
Short-term borrowings		**70,009**	94,810
Bills payable	*5*	**30,000**	63,276
Accounts payable	*5*	**375,615**	344,021
Contract liabilities		**6,208**	3,605
Payroll payable		**5,362**	5,530
Tax payable		**4,017**	12,885
Other payables		**47,164**	60,033
Non-current liabilities due within one year		**11,002**	
Total current liabilities		**549,377**	584,160
Non-current liabilities			
Long-term borrowings		**70,000**	30,000
Lease liabilities		**899**	
Other non-current liabilities		**5,525**	5,641
Total non-current liabilities		**76,424**	35,641
Total liabilities		**625,801**	619,801
Owner's equity			
Share capital		**448,920**	448,920
Capital reserve		**830,651**	830,651
Surplus reserve		**75,365**	75,365
Undistributed profits		**555,242**	472,193
Total equity attributable to owners of the parent		**1,910,178**	1,827,129
Minority interests		**75,453**	70,517
Total owner's equity		**1,985,631**	1,897,646
Total liabilities and owner's equity		**2,611,432**	2,517,447

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 sales of rail fastening system products and flux cored wire products in the People's Republic of China (the "**PRC**").

The address of the Company's registered office is No.1 Yichen North Street, Gaocheng District, Shijiazhuang City, Hebei Province, the PRC and No. 268 Lianzhou East Road, Gaocheng District, Shijiazhuang City, Hebei Province, the PRC.

The Company was incorporated in the PRC on 9 April 2001 and was transformed into a joint stock company on 26 November 2015 in preparation for the listing of H shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited. The equity interest of the Company was transformed into share capital of RMB336,690,000 by the issuance of 336,690,000 shares of RMB1 each to the existing shareholders of the Company pro rata based on their previous capital contribution to the Company. Pursuant to the shareholders' resolution dated 30 November 2015, the 336,690,000 shares shall be further sub-divided into 673,380,000 shares of RMB0.50 per share. On 21 December 2016, the Company completed its Listing by issuing 224,460,000 new shares with a nominal value of RMB0.50 per share. The Company's shares were then listed on the Main Board of the Stock Exchange of Hong Kong.

This interim condensed consolidated financial information for the six months ended 30 June 2019 (the "**Condensed Financial Information**") is presented in thousands of Renminbi Yuan ("**RMB**"), unless otherwise stated, and is approved for issue by the Board on 29 August 2019.

This Condensed Financial Information has not been audited.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

2.1 Basis of preparation

The unaudited interim financial statements of the Group are prepared based on the going concern and actual transaction and events according to the Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC and other relevant regulations (hereinafter collectively referred to as "**PRC Accounting Standards**"), as well as disclosure requirements under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and Hong Kong Companies Ordinance, and based on the accounting policies and estimates applicable to the Group.

This interim result has not been audited by the auditor of the Company, but has been reviewed by the audit committee of the Company.

2.2 Accounting policies

The Group used to apply the applicable International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board ("**IASB**") and requirements of the Hong Kong Companies Ordinance for preparation. Besides, according to the "Consultation Conclusions on Acceptance of Mainland Accounting and Auditing Standards and Mainland Audit Firms for Mainland Incorporated Companies Listed in Hong Kong" published by the Stock Exchange in December 2010, with effect from this financial year, the Group decided to prepare financial statements in accordance with the PRC Accounting Standards issued by the Ministry of Finance of the PRC. The adoption of the PRC Accounting Standards has been applied retrospectively and the comparative financial information of the balance sheet as at 31 December 2018 and the income statement, cash flow statement, statement of changes in equity from January to June 2018 are converted to present and disclose in accordance with the format of financial statements for enterprises of the PRC Accounting Standards. As the PRC Accounting Standards for Business Enterprises and the International Accounting Standards converge, there is no significant difference between the PRC Accounting Standards commenced in 2019 and the International Accounting Policy adopted in the annual financial statements disclosed as at 31 December 2018.

(a) New and amended Accounting Standards for Business Enterprises adopted by the Group

(b) Changes in new accounting policies as a result of the implementation of the Accounting Standards for Business Enterprises.

The Group has implemented the Accounting Standards for Business Enterprises 21 – Lease (hereinafter referred to as the New Lease Standards) as amended by the Ministry of Finance since 1 January 2019. Pursuant to the transitional requirements of the New Lease Standards, a company can choose to adjust the retained earnings and the amounts of other related items in the financial statement at the beginning of the year of the initial implementation of the New Lease Standards based on the cumulative impact figure of the initial implementation of the New Lease Standards, without adjusting the information of the comparable period. In respect of the operating lease of the Group before the date of initial implementation, the leasee should measure the lease liability at the present value of the remaining lease payments, discounted using the leasee's incremental borrowing rate at the date of initial implementation, as well as measure right-of-use assets under each lease as required. The weighted average incremental borrowing rate applied to the operating lease of the Group on 1 January 2019 was 5.7%.

The reconciliation of operating lease commitments to lease liabilities is set out below:

Operating lease commitments as at 31 December 2018	1,995
Short-term lease	15
Discounting effect	131
Lease liabilities as at 1 January 2019	1,849

Set out below is the main impact of the implementation of the New Lease Standards on the financial statements of the Company as at 1 January 2019:

	Balance Sheet		
Items	**31 December 2018** *RMB'000*	**Impact of the implementation of New Lease Standards** *RMB'000*	**1 January 2019** *RMB'000*
Assets:			
Right-of-use assets	–	1,849	1,849
Liabilities:			
Non-current liabilities due within one year	–	950	950
Lease liabilities	–	899	899

Other than the adoption of the Accounting Standards for Business Enterprises 21 – Lease, other new and amended Accounting Standards for Business Enterprises have no material impact on the Company.

3. SEGMENT INFORMATION

The Group's segment information is presented on the basis of internal reports that are regularly reviewed by the Group's Executive Committee (the 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 Executive Committee conducts at least one monthly review on its internal management reports.

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.

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.

The segment information for January to June 2019 and January to June 2018 are as follows:

Items	**Rail fastening**		**Flux cored wire**	
	January to June 2019 *RMB'000*	January to June 2018 *RMB'000* (Restated)	**January to June 2019** *RMB'000*	January to June 2018 *RMB'000* (Restated)
Total revenue	**350,969**	494,538	**87,846**	75,101
Inter-segment revenue				
Revenue from external customers	**350,969**	494,538	**87,846**	75,101
Total cost of sales	**219,463**	284,612	**78,400**	68,271
Segment gross profit	**131,506**	209,926	**9,446**	6,830
Other profit and loss disclosure				
Depreciation and amortization	**5,913**	5,698	**1,435**	1,322
Provisions for impairment of receivables	**(3,369)**	7,705	**(95)**	(243)

	Others		**Total**	
	January to June 2019 *RMB'000*	January to June 2018 *RMB'000* (Restated)	**January to June 2019** *RMB'000*	January to June 2018 *RMB'000* (Restated)
Total revenue	**8,515**	8,700	**447,330**	578,339
Inter-segment revenue				
Revenue from external customers	**8,515**	8,700	**447,330**	578,339
Total cost of sales	**6,239**	7,363	**304,102**	360,246
Segment gross profit	**2,276**	1,337	**143,228**	218,093
Other profit and loss disclosure				
Depreciation and amortization	**2,782**	3,482	**10,130**	10,502
Provisions for impairment of receivables	**(67)**	(346)	**(3,531)**	7,116

4. NOTES RECEIVABLE AND ACCOUNTS RECEIVABLE

(a) Breakdown table

Items	30 June 2019 *RMB'000*	31 December 2018 *RMB'000*
Book balance of accounts receivable	**1,195,156**	1,365,326
Less: Provision for bad debts	**(99,665)**	(104,212)
Book value of accounts receivable	**1,095,491**	1,261,114
Book balance of notes receivable	**23,697**	14,692
Less: Provision for bad debts	**(169)**	–
Book value of notes receivable	**23,528**	14,692

(b) The ageing analysis of accounts receivable based on the accounting date is set out as follows

Items	30 June 2019 *RMB'000*	31 December 2018 *RMB'000*
Within 1 year	**950,804**	1,123,726
1 to 2 years	**118,974**	108,668
2 to 3 years	**50,301**	57,415
Over 3 years	**75,077**	75,517
Total	**1,195,156**	1,365,326

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

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

5. BILLS PAYABLE AND ACCOUNTS PAYABLE

(a) Breakdown table

Items	30 June 2019 *RMB'000*	31 December 2018 *RMB'000*
Accounts payable	**375,615**	344,021
Bills payable	**30,000**	63,276
Total	**405,615**	407,297

(b) The ageing analysis of accounts payable based on the accounting date is set out as follows

Items	30 June 2019 *RMB'000*	31 December 2018 *RMB'000*
Within 1 year	**346,979**	324,458
Over 1 year	**28,636**	19,563
Total	**375,615**	344,021

6. REVENUE/COST OF SALES

Items	January to June 2019 *RMB'000*		January to June 2018 *RMB'000* (Restated)	
	Revenue	**Cost**	Revenue	Cost
Revenue from principal business	**441,347**	**299,283**	569,638	352,883
Other operating revenue	**5,983**	**4,819**	8,700	7,363
Total	**447,330**	**304,102**	578,339	360,246

7. INCOME TAX EXPENSES

Items	**January to June 2019** ***RMB'000***	January to June 2018 *RMB'000*
Income tax expenses for the period	**10,738**	18,348
Deferred income tax expenses	**189**	(195)
Total	**10,927**	18,153

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.

Items	**January to June 2019** ***RMB'000***	January to June 2018 *RMB'000*
Profit attributable to equity holders of the Company	**83,049**	106,929
Weighted average number of ordinary shares in issue	**897,840**	897,840
Basic earnings per share (RMB per share)	**0.09**	0.12

There were no potential dilutive ordinary shares for the six months ended 30 June 2018 and 2019. Diluted earnings per share were equal to basic earnings per share.

9. DIVIDENDS

The Board of the Company did not recommend payment of any interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: Nil). The dividend of RMB70,031,520.00 (RMB0.078 (tax inclusive) per share) relating to the year ended 31 December 2018 was approved by the shareholders at the annual general meeting on 29 July 2019.

10. EXPLANATION ON CHANGE IN CONSOLIDATION SCOPE COMPARED TO THE PREVIOUS ANNUAL REPORT

10.1 Business combination under common control

(a) Business combinations not under common control in the current period

Acquiree	Acquisition date	Acquisition cost	Shareholding (%)	Acquisition method
2019				
Xingtai Juneng Railway Electrical Equipment Co. LTD (邢臺炬能鐵路電氣器材有限公司)	2019.5.31	140,000	87.5	Acquisition

(Continued)

Acquiree	Purchase date	Recognition basis of purchase date	Income of the acquiree from the purchase date to the current period end *RMB'000*	Net profits of acquiree for the current period from the purchase date to the period end *RMB'000*
2019				
Xingtai Juneng Railway Electrical Equipment Co. LTD (邢臺炬能鐵路電氣器材有限公司)	2019.5.31	Acquiring control	2,533	544

MANAGEMENT DISCUSSION AND ANALYSIS

Industrial Review

According to data published by China State Railway Group Co., Ltd. (中國國家鐵路集團有限公司), the fixed asset investment on national railways in the first half of 2019 was RMB322.01 billion, a year-on-year increase of 2.97%. Currently, investment in China's railway construction remained strong.

China's railway construction continues to closely follow major national strategies, optimizing and improving planning of railway network in the Beijing-Tianjin-Hebei and Xiong'an New Districts, the Guangdong-Hong Kong-Macao Greater Bay Area and the Yangtze River Economic Belt regions, giving full play to railway investment in promoting stability in investment, stability in employment and stability in expectations.

Hebei Province has actively participated in the synergistic development of the Beijing-Tianjin-Hebei regions and the construction of Xiong'an New District, striving to build the rail transit in Beijing-Tianjin-Hebei regions. Construction work has commenced for the Beijing-Xiongan Intercity, Shijiazhuang-Xiong'an Intercity, Beijing-Hong Kong High Speed Rail (Xiong'an-Shangqiu section) and Langfang-Zhuozhou Intercity Railway, demonstrating a healthy and stable development of railway construction in Hebei Province.

Performance Review

The Group is a leading rail fastening system provider in the PRC, with its major business focused on two segments, including 1) rail fastening system products; 2) flux cored wire products. For the six months ended 30 June 2019, the total revenue of the Group amounted to approximately RMB447.3 million, representing a year-on-year decrease of approximately 22.7%.

Rail Fastening System Products

For the six months ended 30 June 2019, the revenue from rail fastening system products amounted to approximately RMB351 million, representing approximately 78.5% of the Group's total revenue and approximately 29% decrease over the revenue of approximately RMB494.5 million from this segment for the corresponding period of last year. This was mainly attributable to lower sales of rail fastening products during the period under review.

For the period under review, the cost of sales incurred by rail fastening system products decreased by approximately 22.9% from approximately RMB284.6 million (restated) for the first half of 2018 to approximately RMB219.5 million for the corresponding period of 2019. The change in cost was mainly attributable to the decline in the sales of rail fastening products during the period under review.

For the period, the gross profit of rail fastening system products amounted to approximately RMB131.5 million, representing approximately 37.4% decline compared with the gross profit of approximately RMB209.9 million for the corresponding period of last year. The gross profit margin of rail fastening system products fell from approximately 42.4% for the first half of 2018 to approximately 37.5% for the first half of 2019.

Subject to the decrease in the number of bids in the first half of 2019, the initial value of entering into agreements of supplying rail fastening systems was approximately RMB563 million, representing an increase of approximately 58.1% from the corresponding period of last year. Of the amount, the initial value of entering into agreements of supplying highspeed rail fastening systems amounted to approximately RMB310 million, representing an increase of approximately 244.44% compared with the corresponding period of last year; the initial value of entering into agreements of supplying heavy-haul rail fastening systems amounted to approximately RMB0.1 million; the initial value of entering into agreements of supplying urban transit fastening systems amounted to approximately RMB220 million; and the initial value of entering into agreements of supplying normal-speed rail fastening systems was approximately RMB33 million. As of 30 June 2019, the backlog of the Group amounted to approximately RMB1,407.9 million (value-added tax included).

Flux Cored Wire Products

For the six months ended 30 June 2019, the revenue from flux cored wire products was approximately RMB87.8 million, accounting for approximately 19.6% of the Group's total revenue. Compared to the revenue of approximately RMB75.1 million for the first half of 2018, the increase in revenue was mainly attributable to the growing market demand for flux cored wire over the first half of 2019.

The Group's revenue incurred by flux cored wire products was mainly generated from the sales to private shipbuilding companies and trading companies operating in the shipbuilding industry. The Group will continue to expand its customer range on the basis of continuous collaboration with the existing major customers.

Prospects

According to China Railway's 2019 annual construction plan, it plans to commence operation in 6,800 km of new railway lines (including 3,200 km of high-speed railways), an increase of 45% as compared with the corresponding period of last year.

In the second half of 2019, fixed asset investment on national railways will continue to remain relatively robust, and continue to promote railway construction scientifically, reasonably, and steadily. Guided by demonstration projects such as Beijing-Zhangjiakou, Beijing-Xiong'an and Mongolia-China railways, we focused on projects covering the shortcomings in the road network such as railway channels improvement, converting road to railway for bulk freight and an integrated transportation hub, in which the construction of projects are carried out at a high level to promote standardization, ensuring the quality of projects.

In the future, China's railway construction will revolve around formulating the medium-to-long term development plan in building railways which plays an important role in China's strong transport network. The completion of the railway network in the Yangtze River Delta, the Guangdong-Hong Kong-Macau Greater Bay Area, the Chengdu-Chongqing city cluster and Hainan Province with high quality, lays a solid foundation for the initiation of the "14th Five-Year Plan".

As the leading rail fastening system supplier in the PRC railway industry, the Group will seize the growing market opportunities in the railway construction industry, and strive to improve product quality and service level with high-speed rail fastening system products as its core, committed to contributing to the high level construction and safe operation of China railways.

PERFORMANCE ANALYSIS AND DISCUSSION

Revenue

The Group's main business operations comprise the manufacturing and sales of rail fastening system and flux cored wire. The above business has brought sustained and stable revenue to the Group. In the first half of 2019, the revenue of the Group decreased to approximately 447.3 million from approximately RMB578.3 million in the first half of 2018, mainly attributable to the decrease in revenue from rail fastening system products.

Revenue generated from rail fastening system products dropped approximately by 29% to approximately RMB351 million in the first half of 2019 from approximately RMB494.5 million in the first half of 2018, which was mainly attributable to lower sales of rail fastening system products.

Revenue generated from flux cored wire products increased by approximately 17% to approximately RMB87.8 million in the first half of 2019 from approximately RMB75.1 million in the corresponding period of 2018, which was mainly attributable to the increase in market demand for flux cored wire during the first half of 2019. Apart from the revenue generated from selling rail fastening system products and flux cored wire products, the Group also generated other operating revenue mainly from the sales of sleepers, raw materials and the provision of product processing services.

Cost of Sales

The Group's cost of sales decreased by approximately 15.6% to approximately RMB304.1 million in the first half of 2019 from approximately RMB360.3 million (restated) in the first half of 2018, which was mainly attributable to the declining sales of railway fastening products.

Cost of sales incurred by rail fastening system products decreased by approximately 22.9% to approximately RMB219.5 million in the first half of 2019 from approximately RMB284.6 million (restated) in the first half in 2018, which was mainly attributable to the declining sales of railway fastening system products.

Cost of sales incurred by flux cored wire products increased by approximately 14.8% to approximately RMB78.4 million in the first half of 2019 from approximately RMB68.2 million (restated) in the same period of 2018, which was mainly attributable to an increase in the sales revenue of flux cored wire products which led to higher cost of sales.

Gross Profit

Based on the aforesaid reasons, the Group recorded a gross profit of approximately RMB143.2 million from January to June 2019, representing a decrease of approximately 34.3% from the gross profit of approximately RMB218.1 million recorded for the corresponding period of 2018, which was mainly attributable to (i) an increase in cost of sales caused by the increased price of raw materials; (ii) sales revenue for the period decreased by 22.7% compared with the corresponding period of last year.

Gross profit of rail fastening system products decreased by approximately 37.4% to approximately RMB131.5 million in the first half of 2019 from approximately RMB209.9 million in the corresponding period of 2018. Gross profit margin of rail fastening system products decreased to approximately 37.5% in the first half of 2019 from approximately 42.4% in the first half of 2018, which mainly resulted from the higher price of steel as a principal raw material.

Gross profit of flux cored wire products climbed by approximately 38.3% to approximately RMB9.5 million in the first half of 2019 from approximately RMB6.8 million in the corresponding period of 2018. Gross profit margin grew to approximately 10.8% in the first half of 2019 from approximately 9.1% in the first half of 2018, which mainly resulted from a price increase in flux cored wire products.

Selling Expenses

Selling expenses of the Group decreased to approximately RMB23.6 million from January to June 2019 from approximately RMB26.9 million (restated) from January to June 2018. For the six months ended 30 June 2019 and 2018, selling expenses as a percentage of total revenue were approximately 5.3% and approximately 4.7%, respectively. Lower selling expenses were mainly led by the decrease in transportation expenses and royalty fee.

General and Administrative Expenses

General and administrative expenses of the Group decreased to approximately RMB24.6 million for the first half of 2019 from approximately RMB25.7 million (restated) for the corresponding period in 2018, mainly due to the decrease in service fees.

Profits of an Associate

From January to June 2019, the Group's share of profits of an associate was approximately RMB19.8 million, representing an increase of approximately RMB14.9 million as compared with the corresponding period of 2018. This was mainly attributable to the good sales performance of the associate Tieke Yichen during the year, and the increased unit price of products in new contracts compared with the corresponding period of last year resulted from the rising price of raw materials like rubber.

Net Finance Cost

For the first half of 2019, the Group incurred net finance cost of RMB4.3 million, as compared to approximately RMB8.8 million (restated) incurred for first half of 2018. The decrease in net finance costs was mainly due to the decrease in interest expense resulted from the reduction of borrowings scale.

Operating Profit

Based on the aforesaid reasons, the Group recorded an operating profit of approximately RMB95.1 million from January to June 2019, representing a decline of approximately 24.7% from approximately RMB126.3 million in the corresponding period of 2018, which was mainly attributable to lower sales revenue of rail fastening systems products.

Income Tax

Income tax expense of the Group decreased to approximately RMB10.9 million from January to June 2019 from approximately RMB18.2 million in the corresponding period of 2018, which was mainly attributable to a decrease of operation profit, which resulted in a decrease of taxable income for the period.

Net Profit

Based on the aforesaid reasons, net profit decreased by approximately 22.1% to approximately RMB84.2 million for the period ended 30 June 2019, from approximately RMB108.2 million for the period ended 30 June 2018. Net profit margin increased from 18.7% for the period ended 30 June 2018 to 18.8% for the period ended 30 June 2019.

Profit Attributable to Equity Holders of the Company

From January to June 2019, the Group recorded a profit attributable to equity holders of the Company of approximately RMB83 million, representing a decrease of approximately 22.3% from approximately RMB106.9 million for the same period of 2018. For the first half of 2019, basic earnings per share amounted to RMB0.09, representing a decline of approximately 25% from the basic earnings of RMB0.12 per share for the same period of 2018. The decrease in profit attributable to equity holders of the Company was mainly due to the decrease in net profit of the Group in the first half of 2019.

Total Assets

As at 30 June 2019, the total assets of the Group were approximately RMB2,611.4 million, representing an increase of approximately 3.7% from approximately RMB2,517.4 million as at 31 December 2018. This was mainly because of (i) the increase in goodwill due to acquiring the subsidiary Xingtai Juneng Railway Electrical Equipment Co., Ltd.(邢臺炬能鐵路電氣器材有限公司), (ii) the increase in inventory due to stocking.

Total Liabilities

As at 30 June 2019, the total liabilities of the Group were approximately RMB625.8 million, representing an increase of approximately RMB6 million or approximately 1.0% from that as at 31 December 2018. This was mainly due to the increase in long-term borrowings.

Total Equity

As at 30 June 2019, the total equity of the Group was approximately RMB1,985.6 million, representing an increase of approximately RMB88 million from that as at 31 December 2018, which was mainly attributable to the increase in retained earnings.

Gearing Ratio

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

As at 30 June 2019, the Group's gearing ratio was 0.06%, representing an increase of 1.06 percentage points from (1)% as at 31 December 2018, mainly because of the increase in long-term borrowings.

EVENTS AFTER BALANCE SHEET DATE

The Group has no significant subsequent events occurred after the balance sheet date.

INTERIM DIVIDEND

The Board did not recommend the payment of any interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

EMPLOYEE AND REMUNERATION POLICIES

As at 30 June 2019, the Group had a total of 1,267 employees (30 June 2018: 1,090). The Group incurred total staff costs of RMB42.5 million for the first half of 2019, representing an increase of RMB4.8 million as compared with RMB37.7 million recorded for the corresponding period of 2018, which was mainly attributable to (i) the increase in employees of the Group; (ii) a larger provision base for social insurance and housing fund.

PURCHASE, REDEMPTION OR SALE 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 2019.

COMPLIANCE WITH CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions of the Company by the directors and supervisors of the Company. Upon making specific enquiries to all of the directors and supervisors of the Company, all directors and supervisors of the Company confirmed that throughout the six months ended 30 June 2019, each of them 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 of Hong Kong Limited (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 2019.

AUDIT COMMITTEE

The interim result has not been audited by the auditor of the Company but has been reviewed by the audit committee 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 2019 prepared in accordance with the PRC Financial Reporting Standards 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 2019 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, 29 August 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 purpose only*