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 2019

FINANCIAL HIGHLIGHTS

- Revenue amounted to approximately RMB1,138.7 million, representing an increase of approximately 2.4% compared with that of 2018.
- Gross profit amounted to approximately RMB390.3 million, representing an increase of approximately 3.4% compared with that of 2018.
- Total profit amounted to approximately RMB216.1 million, representing a decrease of approximately 0.1% compared with that of 2018.
- Net profit attributable to owners of the parent amounted to approximately RMB187.2 million, representing an increase of approximately 1% compared with that of 2018; total comprehensive income for the year amounted to approximately RMB190.1 million, representing an increase of approximately 1.4% compared with that of 2018.
- For the year ended 31 December 2019, the basic and diluted earnings per share amounted to approximately RMB0.21.

FINAL DIVIDEND

- The board of directors has proposed a final dividend of RMB0.042 per share (tax inclusive) for the year ended 31 December 2019, with an aggregate amount of RMB37,709,280.

* *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 2019 (the "**Year under Review**"), together with comparative figures for the year ended 31 December 2018 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2019

			For the 12 months ended 31 December	
			2019	2018
		Notes	***RMB***	*RMB*
				(Restated)
I.	Total operating income	*5*	**1,138,675,871**	1,111,459,983
II.	Total operating cost		**921,112,763**	900,274,540
	Including: Cost of sales	*5*	**748,435,945**	733,935,828
	Taxes and surcharges		**5,862,576**	8,367,585
	Selling expenses		**47,568,604**	43,305,937
	Management expenses		**65,196,906**	65,618,499
	Research and development expense		**44,343,739**	36,063,095
	Finance costs		**9,704,993**	12,983,596
	Including: Finance costs		**8,388,071**	17,142,030
	Interest income		**704,505**	1,421,101
	Add: Other income		**739,225**	852,600
	Investment profits		**27,123,213**	25,253,136
	Including: Gains on investments in associates and joint ventures		**27,123,213**	25,448,136
	Gain from change in fair value		**2,668,704**	(12,385,000)
	Loss on credit impairment		**(19,608,332)**	(4,236,868)
	Impairment loss of assets		**(12,510,906)**	(6,089,784)
	Gains on disposal of assets		**176,344**	867,331
III.	Operating profits		**216,151,356**	215,446,858
	Add: Non-operating incomes		**195,819**	1,413,269
	Less: Non-operating expenses		**248,092**	481,580
IV.	Total profit		**216,099,083**	216,378,547
	Less: Income tax expenses	*6*	**26,023,449**	29,011,136

CONSOLIDATED INCOME STATEMENT (Continued)
For the year ended 31 December 2019

	Notes	For the 12 months ended 31 December **2019** *RMB*	2018 *RMB* (Restated)
V. Net profit		**190,075,634**	187,367,411
(I) Classified according to continuity:			
1. Net profit from continuing operations		**190,075,634**	187,367,411
2. Net profit from discontinued operations			
(II) Classified according to equity holdings:			
1. Net profit attributable to owners of the parent		**187,174,115**	185,373,203
2. Profit and loss of minority interests		**2,901,519**	1,994,208
VI. Total other comprehensive income		**190,075,634**	187,367,411
Total comprehensive income attributable to owners of the parent		**187,174,115**	185,373,203
Total comprehensive income attributable to minority interests		**2,901,519**	1,994,208
VII. Earnings per share:			
Basic earnings per share *(RMB)*	*7*	**0.21**	0.21
Diluted earnings per share *(RMB)*		**0.21**	0.21

CONSOLIDATED BALANCE SHEET

As at 31 December 2019

	Notes	**31 December 2019** *RMB*	31 December 2018 *RMB* (Restated)
Current assets:			
Monetary capital		**404,071,733**	182,041,928
Financial assets held for trading		**1,938,704**	128,770,000
Notes receivable	*8*	**100,456,785**	56,704,702
Accounts receivable	*9*	**1,106,626,142**	1,261,114,666
Prepayments		**18,760,383**	25,603,842
Other receivables		**19,817,246**	18,009,496
Inventories		**345,631,722**	276,649,304
Other current assets		**1,833,456**	8,226,087
Total current assets		**1,999,136,171**	1,957,120,025
Non-current assets:			
Long-term equity investments		**168,588,594**	131,850,437
Fixed assets		**125,378,424**	92,092,317
Construction in progress		**338,145,667**	257,043,510
Right-of-use assets		**934,767**	–
Intangible assets		**91,284,502**	87,502,979
Goodwill		**102,739,493**	–
Deferred income tax assets		**26,258,128**	20,583,864
Other non-current assets		**23,319,359**	9,067,511
Total non-current assets		**876,648,934**	598,140,618
Total assets		**2,875,785,105**	2,555,260,643

CONSOLIDATED BALANCE SHEET (Continued)
As at 31 December 2019

	Notes	31 December 2019 RMB	31 December 2018 RMB (Restated)
Current liabilities			
Short-term borrowings		**170,000,000**	94,810,000
Bills payable	*10*	**69,318,351**	63,276,286
Accounts payable	*11*	**406,615,731**	389,039,693
Contract liabilities		**8,839,976**	3,604,715
Payroll payable		**7,119,414**	5,529,884
Tax payable		**16,069,327**	33,192,271
Other payables		**17,845,040**	29,197,877
Non-current liabilities due within one year		**32,981,150**	–
Total current liabilities		**728,788,989**	618,650,726
Non-current liabilities			
Long-term borrowings		**70,000,000**	30,000,000
Long-term payables		**47,980,238**	–
Deferred income		**5,408,867**	5,641,467
Deferred income tax liabilities		**661,826**	–
Total non-current liabilities		**124,050,931**	35,641,467
Total liabilities		**852,839,920**	654,292,193
Owner's equity			
Share capital		**448,920,000**	448,920,000
Capital reserve		**830,651,223**	830,651,223
Surplus reserve		**93,443,484**	75,738,052
Undistributed profits		**574,578,593**	475,141,429
Total equity attributable to owners of the parent		**1,947,593,300**	1,830,450,704
Minority interests		**75,351,885**	70,517,746
Total owner's equity		**2,022,945,185**	1,900,968,450
Total liabilities and owner's equity		**2,875,785,105**	2,555,260,643

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

The Company was incorporated in the People's Republic of China (the "**PRC**") on 9 April 2001. The addresses of the Company's registered offices are 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 Group is principally engaged in manufacturing and sales of rail fastening system products, flux cored wire products and railway sleeper products.

On 21 December 2016, the H shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The existing share capital of the Company is RMB448,920,000 and the total number of shares is 897,840,000 with a nominal value of RMB0.50 per share.

The financial information for the year ended 31 December 2019 is presented in Renminbi ("**RMB**"), unless otherwise stated.

The consolidated results for the year ended 31 December 2019 have not been audited by the auditors of the Company, but have been reviewed by the audit committee of the Company.

2 BASIS OF PREPARATION

This financial statements of the Group are prepared based on the going concern and actual transactions 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 the "**PRC Accounting Standards**"), as well as the disclosure requirements under the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") and Hong Kong Companies Ordinance, and based on the accounting policies and estimates applicable to the Group.

3 ACCOUNTING POLICIES

The Group used to apply the applicable International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board and the requirements of the Hong Kong Companies Ordinance for preparation. 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 has decided to prepare its 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 audited consolidated financial statements for the year ended 31 December 2018 are converted to present and disclose in accordance with the format of financial statements for enterprises as prescribed under 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 whose execution commenced in 2019 and the International Accounting Policy adopted in the annual financial statements disclosed as of 31 December 2018.

(a) Effect of adoption of the new standard and new format

(i) The Group prepared the financial statements of 2019 in accordance with the Notice of the Ministry of Finance on Revising and Issuing the General Format for Financial Statements of Enterprises in 2019 (Cai Kuai [2019] No.6) and the requirements of the Accounting Standards for Business Enterprises. For changes in this accounting policy, retrospective adjustments shall be adopted. The items and amounts that were materially affected in the financial statements for 2018 are set out below:

Original items and amounts		**Revised items and amounts**	
Notes receivable and accounts receivable	1,275,806,458	Notes receivable	14,691,792
		Accounts receivable	1,261,114,666
		Receivables financing	–
Notes payable and accounts payable	407,296,522	Notes payable	63,276,286
Management expenses	54,549,612	Accounts payable	344,020,236
		Management expenses	54,549,612
Research and development expense	1,826,142	Research and development expense	1,826,142

(ii) The Group has implemented the amended Accounting Standards for Business Enterprises 21 – Lease (hereinafter referred to as the "**New Lease Standards**") since 1 January 2019.

For contracts that existed before 1 January 2019, the Group has not assessed whether they are leases or contains leases.

Pursuant to the transitional requirements of the New Lease Standards, the Group (as lessee) did not adjust the information of comparable periods, except with retrospective adjustment of the retained earnings and the amounts of other related items in the financial statements as at the beginning of the reporting period based on the differences between the first day of implementation of the New Lease Standards and previous standards.

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

Items	**31 December 2018**	**Balance Sheet Impact of adjustment of the New Lease Standards**	**1 January 2019**
Right-of-use assets	–	1,869,533	1,869,533
Non-current liabilities due within one year	–	959,988	959,988
Lease liabilities	–	909,545	909,545

Process of adjusting between the outstanding minimum lease payments for material operating leases at the end of the reporting period in 2018 and the lease liabilities on 1 January 2019

Items	**Amount**
Minimum lease payments for material operating leases on 31 December 2018	2,012,944
Less: minimum lease payments based on the simplified approach	10,000
Minimum lease payments on 1 January 2019 under the New Lease Standards	2,002,944
Weighted average incremental borrowing rate on 1 January 2019	5.70%
Lease liabilities on 1 January 2019 (including those in non-current liabilities due within one year)	1,869,533

The Group has adopted the simplified approach for the lease assets of operating leases that are classified as low-value assets before 1 January 2019, with no recognition of right-of-use assets and lease liabilities or retrospective adjustments to such leases.

(iii) The Group has implemented the amended Accounting Standards for Business Enterprises No.7 – Non-cash Assets Exchange since 10 June 2019 and implemented the amended Accounting Standards for Business Enterprises No.12 – Debt Restructuring since 17 June 2019. Changes of the accounting policy shall be treated on a prospective basis.

(b) Adjustment in the financial statements for the prior period

(i) In order to implement the provisions of the Accounting Standards for Business Enterprises relating to provisions for bad debts, impairment of inventory, deferred income tax assets, investment income of associates and reclassification of accounting items, the Group refers to the practices of A-share listed companies in the same industry to review and adjust provisions for bad debts, impairment of inventory, deferred income tax assets and reclassification of accounting items.

(ii) Statement item affected in each comparison period

	Increase/(decrease) as at 31 December 2018
Notes receivable	42,012,910
Prepayments	(11,274,766)
Inventories	(3,789,272)
Long-term equity investments	6,477,151
Deferred income tax assets	2,237,262
Other non-current assets	2,150,000
Accounts payable	45,019,457
Tax payable	20,307,173
Other payables	(30,834,706)
Surplus reserve	373,036
Undistributed profits	2,948,323
Cost of sales	(35,659,469)
Selling expenses	(11,068,886)
Management expenses	11,068,886
Research and development expense	34,236,953
Investment profits	7,082,972
Loss on credit impairment	(969,650)
Impairment loss of assets	(3,444,180)
Income tax expenses	(1,905,488)

4 SEGMENT INFORMATION

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

The management has determined the reporting segments based on these reports.

The Group determines its business from a product perspective:

- Rail fastening system products: manufacturing and sales of rail fastening system products

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

- Railway sleeper products: manufacturing and sales of railway sleepers

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

Segment information in 2019 and 2018 is set out as follows:

Items	**Rail fastening**		**Flux cored wires**	
	2019	2018	**2019**	2018
	RMB	*RMB*	***RMB***	*RMB*
		(Restated)		(Restated)
Total revenue	**878,129,803**	927,911,953	**200,826,592**	169,467,699
Inter-segment revenue	**–**	–	**–**	–
Revenue from external customers	**878,129,803**	927,911,953	**200,826,592**	169,467,699
Total cost of sales	**(540,175,323)**	(572,622,634)	**(175,531,718)**	(152,015,601)
Segment gross profit	**337,954,480**	355,289,319	**25,294,874**	17,452,098
Other profit and loss disclosure:				
Depreciation and amortisation	**15,939,575**	14,362,662	**3,645,463**	2,547,121
Provisions for/(reversal of) impairment of receivables	**21,551,031**	9,582,967	**(2,179,137)**	(5,079,028)
Impairment of inventories	**875,614**	5,699,046	**94,331**	390,738
Finance costs	**–**	–	**–**	–

	Railway sleepers		**Others**	
	2019	2018	**2019**	2018
	RMB	*RMB*	***RMB***	*RMB*
				(Restated)
Total revenue	**46,425,066**	–	**13,294,410**	14,080,331
Inter-segment revenue	**–**	–	**–**	–
Revenue from external customers	**46,425,066**	–	**13,294,410**	14,080,331
Total cost of sales	**(24,566,180)**	–	**(8,162,724)**	(9,297,593)
Segment gross profit	**21,858,886**	–	**5,131,686**	4,782,738
Other profit and loss disclosure:				
Depreciation and amortisation	**1,303,140**	–	**1,176,090**	3,294,010
Provisions for/(reversal of) impairment of receivables	**350,503**	–	**(114,065)**	(267,071)
Impairment of inventories	**–**	–	**–**	–
Finance costs	**–**	–	**9,704,993**	12,983,596

	Total 2019 *RMB*	2018 *RMB* (Restated)
Total revenue	**1,138,675,871**	1,111,459,983
Inter-segment revenue	**–**	–
Revenue from external customers	**1,138,675,871**	1,111,459,983
Total cost of sales	**(748,435,945)**	(733,935,828)
Segment gross profit	**390,239,926**	377,524,155
Other profit and loss disclosure:		
Depreciation and amortisation	**22,064,268**	20,203,793
Provisions for/(reversal of) impairment of receivables	**19,608,332**	4,236,868
Impairment of inventories	**969,945**	6,089,784
Finance Costs	**9,704,993**	12,983,596

5. REVENUE/COST OF SALES

Items	**2019** *RMB*		2018 *RMB* (Restated)	
	Revenue	**Cost**	Revenue	Cost
Revenue from principal business	**1,125,381,461**	**740,273,221**	1,097,379,652	724,638,235
Other operating revenue	**13,294,410**	**8,162,724**	14,080,331	9,297,593
Total	**1,138,675,871**	**748,435,945**	1,111,459,983	733,935,828

6. INCOME TAX EXPENSES

Items	**2019** *RMB*	2018 *RMB* (Restated)
Income tax expenses for the period	**31,673,058**	31,582,999
Deferred income tax expenses	**(5,649,609)**	(2,571,863)
Total	**26,023,449**	29,011,136

Income tax expenses derived from reconciliation of income tax calculated by applicable tax rates based on total profit in the consolidated income statement

Items	2019 *RMB*	2018 *RMB* (Restated)
Total profit	**216,099,083**	216,378,547
Income tax expenses calculated by the applicable tax rates of the parent	**32,414,863**	32,456,782
Effect of different tax rates applicable to subsidiaries	**1,781,912**	313,661
Effect of adjusting income tax from prior periods	**–**	33,445
Effect of profits and losses attributable to joint ventures and associates	**(5,510,724)**	(3,698,193)
Effect of non-taxable income	**(34,890)**	(34,890)
Effect of non-deductible costs, expenses, and losses	**197,055**	222,515
Effect of utilising provisions for impairment of unrecognised deferred income tax assets in prior periods	**(26,019)**	(45,722)
Effect of deductible temporary differences or deductible losses of unrecognised deferred income tax assets during the period	**–**	116,797
Additional deduction on research and development expense	**(837,843)**	(253,045)
Additional deduction on salaries of disabled employees	**(71,901)**	(90,214)
Tax deduction on environmental-friendly equipment	**(242,269)**	(10,000)
Changes in opening balances of deferred income tax assets due to tax rate adjustments	**12,016**	–
Effect of utilising deductible losses of unrecognised deferred income tax assets in prior periods	**(1,658,751)**	–
Income tax expenses	**26,023,449**	29,011,136

7. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the net profit attributable to owners of the parent of the Company by the weighted average number of ordinary shares in issue during the period.

Items	2019 *RMB*	2018 *RMB* (Restated)
Net profit attributable to owners of the parent of the Company	**187,174,115**	185,373,203
Weighted average number of ordinary shares in issue	**897,840,000**	897,840,000
Basic earnings per share *(RMB per share)*	**0.21**	0.21

There were no potential dilutive ordinary shares for the years ended 31 December 2018 and 2019. Diluted earnings per share were equal to basic earnings per share.

8. NOTES RECEIVABLE

Items	**31 December 2019** *RMB*	31 December 2018 *RMB* (Restated)
Book balance of notes receivable	**106,568,961**	57,982,352
Less: Provision for bad debts	**(6,112,176)**	(1,277,650)
Book value of notes receivable	**100,456,785**	56,704,702

Notes receivable consisted of bank acceptance notes, trade acceptance notes, and other similar notes with average maturity periods within six months.

9. ACCOUNTS RECEIVABLE

(a) Breakdown

Items	**31 December 2019** *RMB*	31 December 2018 *RMB* (Restated)
Book balance of accounts receivable	**1,224,783,760**	1,365,326,282
Less: Provision for bad debts	**(118,157,618)**	(104,211,616)
Book value of accounts receivable	**1,106,626,142**	1,261,114,666

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

Items	**31 December 2019** *RMB*	31 December 2018 *RMB*
Within 1 year	**912,151,745**	1,123,726,176
1 to 2 years	**156,131,829**	108,667,557
2 to 3 years	**72,396,483**	57,415,232
Over 3 years	**84,103,703**	75,517,317
Total	**1,224,783,760**	1,365,326,282

Most of the accounts receivable are denominated in RMB, and their carrying amounts approximate fair values.

10. BILLS PAYABLE

Items	**31 December 2019** *RMB*	31 December 2018 *RMB* (Restated)
Bills payable	**69,318,351**	63,276,286
Total	**69,318,351**	63,276,286

11. ACCOUNTS PAYABLE

(a) Breakdown

Items	**31 December 2019** *RMB'000*	31 December 2018 *RMB'000* (restated)
Accounts payable	**406,615,731**	389,039,693
Total	**406,615,731**	389,039,693

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

Items	**31 December 2019** *RMB*	31 December 2018 *RMB*
Within 1 year	**375,866,766**	361,438,765
Over 1 year	**30,748,965**	27,600,928
Total	**406,615,731**	389,039,693

12. DIVIDENDS

	2019	2018
	RMB	*RMB*
Dividends paid/declared	**37,709,280**	70,031,520

(i) The relevant dividends for the year ended 31 December 2018 amounting to RMB70,031,520 (approximately RMB0.078 per share (tax inclusive)) were approved by shareholders at the annual general meeting on 29 July 2019 and paid in September 2019.

(ii) Pursuant to the resolution of the Board on 25 March 2020, a dividend of RMB0.042 per share (tax inclusive) and total dividend of RMB37,709,280 for the year ended 31 December 2019 has been proposed and is subject to approval by the shareholders of the Company at the annual general meeting to be held on 28 May 2020, The dividend payable is not reflected in such consolidated financial statements.

13. EXPLANATIONS ON THE CHANGES IN CONSOLIDATION SCOPE AS COMPARED WITH THE PREVIOUS ANNUAL REPORT

Business combination under common control

(a) Business combination not under common control for the period

Acquiree	**Acquisition date**	**Acquisition cost** *RMB*	**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)	31 May 2019	140,000,000	87.5	Acquisition

(Continued)

Acquiree	**Purchase date**	**Recognition basis of purchase date**	**Income of the acquiree from purchase date to end of the current period** ***RMB***	**Net profit of the acquiree from purchase date to end of the current period** ***RMB***
2019				
Xingtai Juneng Railway Electrical Equipment Co. LTD (邢臺炬能鐵路電氣器材有限公司	31 May 2019	Acquiring control	46,423,143	14,450,581

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

As an H-share listed company, the Company prepared overseas financial statements in accordance with international accounting standards in 2018 and prior years. In respect of the consolidated financial statements of the financial report disclosed in accordance with both IFRSs and the PRC Accounting Standards in 2018, the accounting information differences between net profit attributable to shareholders of the parent and equity attributable to shareholders of the parent are as follows:

Items	Net profit attributable to owners of the parent in 2018	Equity attributable to owners of the parent in 2018
In accordance with IFRSs	180,169,576	1,827,129,345
Adjusting events	5,203,627	3,321,360
In accordance with the PRC Accounting Standards for Business Enterprises	185,373,203	1,830,450,705

The changes in accounting methods will also make adjustments to certain financial items in the Company's 2019 interim financial statements, while such adjustments will not have a material impact on the 2019 interim statements.

Industrial Review and Analysis

In 2019, the deteriorating trading environment cast a shadow over global economy, China also faced handicaps in its economic transformation and a slowdown in general growth rate. Looking back at the past year, railway construction continued to closely follow national development strategies, providing service for national strategies such as development of Western China, rural revitalization, the revitalization of Northeast China, the rise of Central China, the development of the Guangdong-Hong Kong-Macao Greater Bay Area, and the integration of the Yangtze River Delta, optimizing the existing road network structure, and bringing into play the role of railway construction as a significant support to the implementation of national strategies. Meanwhile, with the rapid development of "Converting Road Freight to Rail Freight" policy, development of "Eight Horizontal and Eight Vertical" high-speed railways and fast development of urban rail transit, China's railway has imposed a higher requirement on standardization. Deepening standardized, regulated construction and improving the system of production safety standards are the keys to build China's intelligent high-speed railway and expand the achievement of Chinese railways going global.

With the high-speed rail network progressively established mainly along coastal and riverside arteries and complemented by intercity railways, we are expected to embrace 1 to 4-hour commuting circles in large and medium-sized cities and 0.5 to 2-hour commuting circles in city clusters. As pointed out at the work conference of China State Railway Group Co., Ltd., China recorded more than RMB800 billion of fixed asset investment on national railways for the year 2019, with 8,489 km of new railway lines and 5,474 km of high-speed railways. As of the end of 2019, the operational mileage of national railways exceeded 139,000 km, including 35,000 km of high-speed railways. Fifty-one new lines, including Beijing-Zhangjiakou High-speed Railway and Beijing-Xiong'an Intercity Railway (Daxing Airport Section), were completed and put into operation, thereby reaching the target of completing 30,000 km of high-speed rail in 2020 in advance as set out in "Mid-to-Long Term Plan of Railway Network" (《中長期鐵路網規劃》).

A sound environment for railway industry development can bring tremendous business opportunities to the Company. The National Development and Reform Commission proposed the "Guiding Opinions on Accelerating the Construction of Special Railway Lines" (《關於加快推進鐵路專用線建設的指導意見》) in September 2019 to address the "last kilometer" problem in railway transportation. With improved construction of special railway lines and the arrival of the final year of the three-year action plan for "Converting Road Freight to Rail Freight", the demand for railway construction is anticipated to rise. In addition, the development of urban rail transit has accelerated in recent years. As shown in the preliminary statistics released by China Association of Metros, Mainland China recorded a total of 968.77 km of newly constructed urban rail transit lines in operation in 2019, marking a historic new high. As of 31 December 2019, 6,730.27 km of urban rail transit lines were in operation in a total of 40 cities across Mainland China. Currently, China has entered the stage of high-volume stable development in urban rail transit. The Company will firmly capture these industrial opportunities, for which it will conduct research on products and optimize services to provide high-speed rail, heavy-haul rail and urban rail transit construction with more comprehensive and diverse products and services of rail fastening systems. Meanwhile, the Company will also pay close attention to the development of "Belt-and-Road" initiatives including China-Thailand Railway and Hungary-Serbian Railway to strive for engaging in more overseas railway construction projects with high standard and quality products.

BUSINESS REVIEW

The Group is a leading rail fastening system product provider in the PRC, with its major business focused on three segments, including (1) rail fastening system products; (2) flux cored wire products; and (3) railway sleeper products. In 2019, the total revenue of the Group amounted to approximately RMB1,138.7 million, representing an increase of approximately 2.4%.

Rail Fastening System Products

For the year ended 31 December 2019, the revenue from rail fastening system products amounted to approximately RMB878.1 million, representing approximately 77.1% of the Group's total revenue, and a decrease of approximately 5.4% over the revenue of approximately RMB927.9 million from this segment last year. This was mainly because there were uncertainties in the construction progress of new major customers, who did not request for larger shipments in 2019, resulting in a decrease in sales of rail fastening system products. The sales of the year were generally positive.

During the year under review, the cost of sales relating to rail fastening system products decreased by approximately 5.7% from approximately RMB572.6 million (restated) in 2018 to approximately RMB540.2 million in 2019, which was mainly attributable to the decrease in the sales volume of rail fastening system products.

Affected by the decrease in sales volume, the gross profit of rail fastening system products decreased from approximately RMB355.3 million (restated) in 2018 to approximately RMB337.9 million in 2019. However, the gross profit margin slightly increased from approximately 38.3% (restated) in 2018 to approximately 38.5% in 2019.

During the year under review, the initial value of entering into agreements on supplying of rail fastening systems by the Group was approximately RMB1,171.4 million, representing an increase of approximately 2.3% as compared to 2018. Of the amount, the initial value of entering into agreements on supplying high-speed rail fastening systems amounted to approximately RMB648.7 million, representing an increase of approximately 7% as compared to 2018; the initial value of entering into agreements on supplying urban transit fastening systems amounted to approximately RMB423.8 million, representing an increase of 16.6% as compared to 2018; the initial value of entering into agreements on supplying heavy-haul rail fastening systems amounted to approximately RMB0.2 million; and the initial value of entering into agreements on supplying normal-speed rail fastening systems amounted to RMB98.7 million. As of 31 December 2019, the backlog of the Group amounted to approximately RMB1,348.8 million (value-added tax included).

Under the support of national railway network development plans such as the "13th Five-Year Plan" and the "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 2019, the revenue from flux cored wire products amounted to approximately RMB200.8 million, accounting for approximately 17.6% of total revenue of the Group and an increase of approximately RMB31.3 million from approximately RMB169.5 million in 2018. The change in revenue was mainly attributable to the increase in demand due to better performance in the welding materials industry during the year under review.

During the year under review, the cost of sales from flux cored wire products increased by approximately 15.5% to approximately RMB175.5 million in 2019 from approximately RMB152.0 million (restated) in 2018, which was mainly attributable to the increase in the sales volume of flux cored wire products for the year.

The Group's revenue from flux cored wire products 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 its existing major customers, and expects that such customers will continue to contribute to a significant portion of revenue of flux cored wire products in the future.

Railway Sleeper Products

For the year ended 31 December 2019, revenue from railway sleeper products was approximately RMB46.4 million, accounting for approximately 4.1% of the Group's total revenue; the cost of sales incurred by railway sleeper products was approximately RMB24.6 million. Railway sleeper products constitute a new product category for the period, with no such products sold in the previous year.

PERFORMANCE ANALYSIS AND DISCUSSION

Revenue

The Group's main business operations comprise the manufacturing and sales of rail fastening system products, flux cored wire products and railway sleeper products. The above business has brought sustained and stable revenue to the Group. In 2019, the revenue of the Group increased to approximately RMB1,138.7 million from approximately RMB1,111.5 million in 2018, mainly as a result of the increase in revenue from flux cored wire products and the new addition of railway sleeper products sales for the period.

Revenue generated from rail fastening system products dropped by approximately 5.4% to approximately RMB878.1 million in 2019 from approximately RMB927.9 million in 2018, mainly because there were uncertainties in the construction progress of new major customers, who did not request for larger shipments in 2019, which resulted in a decrease in sales of rail fastening system products. The sales of the year were generally positive.

Revenue generated from flux cored wire products increased by approximately 18.5% from approximately RMB169.5 million in 2018 to approximately RMB200.8 million in 2019. Changes in revenue of flux cored wire products primarily resulted from the increase in demand due to better performance in the welding materials industry in 2019, leading to higher revenue in relation to flux cored wire products.

Revenue relating to railway sleeper products amounted to approximately RMB46.4 million in 2019.

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

Cost of Sales

The Group's cost of sales increased by approximately 2% from approximately RMB733.9 million (restated) in 2018 to approximately RMB748.4 million in 2019, which was mainly attributable to the increase in the sales volume of flux cored wire products and the increase in sales of railway sleeper products.

The cost of sales incurred by rail fastening system products decreased by approximately 5.7% to approximately RMB540.2 million in 2019 from approximately RMB572.6 million (restated) in 2018, which was mainly attributable to the decrease in the sales volume of rail fastening system products.

Cost of sales incurred by flux cored wire products increased by approximately 15.5% to approximately RMB175.5 million in 2019 from approximately RMB152.0 million (restated) in 2018, which was mainly attributable to the increase in the sales volume of flux cored wire products for the year.

Cost of sales relating to railway sleeper products amounted to approximately RMB24.6 million in 2019.

Gross Profit

Based on the aforesaid reasons, the Group recorded a gross profit of approximately RMB390.3 million in 2019, representing a year-on-year increase of approximately 3.4% from the gross profit of approximately RMB377.6 million (restated) in 2018, which was due to the increase in the sales volume of flux cored wire products and the sales of new railway sleeper products for the year.

Gross profit of rail fastening system products decreased from approximately RMB355.3 million (restated) in 2018 to approximately RMB337.9 million in the corresponding period of 2019, which was mainly attributable to the lower sales volume for the year. The gross profit margin of rail fastening system products increased from approximately 38.3% (restated) in 2018 to approximately 38.5% in the corresponding period of 2019, which was mainly attributable to the lower average procurement cost of raw materials during the year as compared with that of last year.

Gross profit of flux cored wire products increased by approximately 44.6% to approximately RMB25.3 million in 2019 from approximately RMB17.5 million in the corresponding period of 2018. Gross profit margin increased from approximately 10.3% (restated) in 2018 to approximately 12.6% in the corresponding period of 2019, which was mainly attributable to the increase in sales volume and the decrease in the cost of flux cored wire products.

The gross profit of railway sleeper products amounted to approximately RMB21.8 million in 2019, with a gross profit margin of approximately 47%.

Selling Expenses

Selling expenses of the Group increased to approximately RMB47.6 million in 2019 from approximately RMB43.3 million (restated) in 2018. For the years ended 31 December 2018 and 2019, selling expenses as a percentage of total revenue accounted for approximately 3.9% (restated) and approximately 4.2%, respectively. The increase in selling expenses was mainly attributable to the increase in product testing and certification fee, sample service fee and other expenses.

Management Expenses

Management expenses of the Group decreased to approximately RMB65.2 million in 2019 from approximately RMB65.6 million (restated) in 2018. For the years ended 31 December 2018 and 2019, management expenses as a percentage of total revenue accounted for approximately 5.9% (restated) and approximately 5.7%, respectively. The decrease in management expenses was mainly due to lower agency fees, with part of the decline offset by the additional employee benefits and travel expenses.

Research and Development Expense

Research and development expense of the Group increased to approximately RMB44.3 million in 2019 from approximately RMB36.1 million (restated) in 2018. For the years ended 31 December 2018 and 2019, research and development expense as a percentage of total revenue accounted for approximately 3.2% (restated) and 3.9%, respectively. Higher research and development expense was mainly due to the increase in research projects.

Loss on Credit Impairment

Loss on credit impairment of the Group increased to approximately RMB19.6 million in 2019 from approximately RMB4.2 million (restated) in 2018. For the years ended 31 December 2018 and 2019, loss on credit impairment as a percentage of total revenue accounted for approximately 0.4% (restated) and 1.7%, respectively. The extra loss on credit impairment was mainly due to the increase in the provision for impairment of accounts receivable and notes receivable.

Impairment Loss of Assets

The Group's impairment loss of assets increased to approximately RMB12.5 million in 2019 from approximately RMB6.1 million (restated) in 2018. For the years ended 31 December 2018 and 2019, impairment loss of assets as a percentage of total revenue accounted for approximately 0.5% (restated) and 1.1%, respectively. The increase in impairment loss of assets was primarily due to the provision made for impairment of goodwill during the current period.

Operating Profits

Based on the aforesaid reasons, the Group recorded an operating profits of approximately RMB216.2 million in 2019, representing an increase of approximately 0.4% from an operating profits of approximately RMB215.4 million (restated) in the corresponding period of 2018, which was mainly due to the increase in operating profits of flux cored wire products.

Finance Costs

In 2019, the Group incurred total finance costs of approximately RMB9.7 million, representing a year-on-year decrease of approximately 25.4% from total finance costs of approximately RMB13 million in 2018. Of the total amount, finance income decreased by approximately 50% to approximately RMB0.7 million from approximately RMB1.4 million in 2018. Finance costs decreased by approximately 50.9% to approximately RMB8.4 million from approximately RMB17.1 million in 2018. The decrease in finance costs was mainly attributable to the decrease in the scale of debt in 2019, when most of the borrowings were occurred at the end of the year.

Investment Profits

In 2019, the Group's investment profits totalled approximately RMB27.1 million, representing a year-on-year increase of approximately 7.1% from the total investment profits of approximately RMB25.3 million (restated) in 2018. In particular, the Group recorded an aggregate of approximately RMB27.1 million in investment profits of an associate in 2019, representing a year-on-year increase of approximately 6.7% from such investment profits of approximately RMB25.4 million (restated) recorded in the corresponding period in 2018, which was mainly attributable to the increase in profit as a result of the extra revenue from the associate.

Income Tax

Income tax expense of the Group decreased by approximately 10.3% to approximately RMB26 million in 2019 from approximately RMB29 million (restated) in 2018, which was mainly attributable to the deferred income tax expenses incurred in recognising the unrealised profits of intra-group transactions.

The applicable corporate tax rate for the Company was 15% for both 2019 and 2018. The applicable tax rate for other subsidiaries in Mainland China was 25% for 2019.

Net Profit

Based on the aforesaid reasons, net profit increased by approximately RMB2.7 million or approximately 1.4% to approximately RMB190.1 million for the year ended 31 December 2019 from approximately RMB187.4 million (restated) for the year ended 31 December 2018. This was mainly attributable to (i) the increase of gross profit; and (ii) gains in change of fair value. Net profit margin slightly decreased to approximately 16.7% for the year ended 31 December 2019 from 16.9% (restated) for the year ended 31 December 2018, which was attributable to the increase in revenue.

Net Profit Attributable to Owners of the Parent

The Group recorded net profit attributable to owners of the parent of approximately RMB187.2 million in 2019, representing an increase of approximately 1% from approximately RMB185.4 million (restated) in 2018. In 2019, basic earnings per share amounted to approximately RMB0.21, remaining the same with the basic earnings of approximately RMB0.21 per share (restated) in 2018. The increase in net profit attributable to owners of the parent was mainly due to the increase in gross profit and gains in change of fair value in 2019.

Financial Resources and Capital Structure

As at 31 December 2019, the Group had cash and cash equivalents of approximately RMB330.3 million, accounts receivable of approximately RMB1,106.6 million, accounts payable of approximately RMB406.6 million, and outstanding borrowings of approximately RMB320 million. As at 31 December 2019, the above cash and cash equivalents included approximately RMB32.3 million equivalents of Hong Kong dollars.

As at 31 December 2018, the Group had cash and cash equivalents of approximately RMB147.8 million (restated), accounts receivable of approximately RMB1,261.1 million (restated), accounts payable of approximately RMB389.0 million (restated), and outstanding borrowings of approximately RMB124.8 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 Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and issued a total of 224,460,000 H shares. As at 31 December 2019, the outstanding borrowings of the Group included total short-term borrowings of approximately RMB170.0 million, total non-current liabilities of approximately RMB32 million due within one year, long-term borrowings of approximately RMB70 million and total long-term payables of approximately RMB48 million. The Group will promptly repay the aforesaid borrowings at maturity.

Total Assets

As at 31 December 2019, the total assets of the Group were approximately RMB2,875.8 million, representing an increase of approximately RMB320.5 million (restated) or approximately 12.5% from that as at 31 December 2018, which was mainly attributable to (i) the increase in assets upon construction of a new plant area after receipt of proceeds from listing; and (ii) the increase in goodwill due to the acquisition of a subsidiary during the current period.

Total Liabilities

As at 31 December 2019, the total liabilities of the Group were approximately RMB852.8 million, representing an increase of approximately RMB198.5 million or approximately 30.3% from that as at 31 December 2018, mainly because of the increase in borrowings.

Total Equity

As at 31 December 2019, the total equity of the Group was approximately RMB2,022.9 million, representing an increase of approximately RMB121.9 million from that as at 31 December 2018, mainly attributable to the increase in (i) net profits of the Group during the year and (ii) minority interests.

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 borrowings as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as total equity as shown in the consolidated balance sheet plus the aforementioned net debt.

As at 31 December 2019, the Group's gearing ratio was -0.5%, representing an increase of 0.7 percentage points from -1.2% (restated) as at 31 December 2018, mainly due to the increase in borrowings at the end of the period.

Employee and Remuneration Policies

As at 31 December 2019, the Group incurred total staff costs of approximately RMB101.3 million for 1,340 employees, representing an increase of approximately RMB11.4 million or approximately 12.7% as compared with the same period of 2018, which was mainly attributable to (i) the increase in the number of employees of the Group; (ii) the increase in the basic wage for employees of the Group; and (iii) a larger provision base for social insurance and housing provident fund.

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

FUTURE PROSPECTS

As pointed out at the work conference of China State Railway Group Co., Ltd., China Railway Group will ensure that more than 4,000 km of new lines commence operation in 2020, including 2,000 km of high-speed rail, which will shape the most modern railway network and high-speed rail network in the world with a reasonable layout, wide coverage, high efficiency and convenience with comprehensive functions. Continuous promotion of "Eight Vertical and Eight Horizontal" (八橫八縱) railways will bring closer ties among cities, a more convenient life and fresh vitality to regional economic development. At the same time, we are embracing historic new opportunities for the construction of special railway lines based on a green and efficient modern logistic system. In 2020, China plans to work on 127 key projects to build special railway lines, totaling 1,586 km. Furthermore, as the landmark railway project for Western and Central China, major projects such as Sichuan-Tibet Railway will proceed actively.

With the comprehensive upgrade of the strategic "New Infrastructure", construction plans of high-speed railways and intercity railways have been launched in many places. "Fengtai-Xiong'an-Shangqiu" High Speed Rail is planned to be constructed from Beijing, and Kunming to Lijiang High Speed Maglev Railway is intended to be constructed in Yunnan. Driven by the "New Infrastructure" to improve weak points, intercity rail transit networks that connect metropolitan areas are expected to be the focus of construction in the future.

Currently, although China's modern railway network has attained a preliminary scale, the Company believes that it takes time to achieve full interconnectivity for railway networks in key areas as well as Western and Central China. With its rail fastening systems providing comprehensive coverage for various projects from high-speed rail and heavy-haul rail to general transit and urban rail transit, the Company will meet increasingly diverse demands with a wide array of product offerings. In the meantime, the Company will focus on R&D and innovation to keep optimizing product performance and quality, in order to adapt to the speedy development of smart highways in China. In 2020, the Company will continue with the upgrade and reform of its production equipment, enhance automation, and attain higher efficiency and lower cost. In addition, the Group will closely follow market trends, proactively seek opportunities to acquire quality assets throughout the industry chain to create synergy, which will better enhance the core competencies and profitability of the Group and give back to shareholders and investors.

Response to the Epidemic

The sudden arrival of the novel coronavirus (COVID-19) epidemic (the "**Epidemic**") in early 2020 has affected the development of various industries to different degrees. Since the outbreak of the Epidemic, the Company has been prioritizing the protection of its staff's lives and health, closely monitoring the Epidemic situation, strictly executing various Epidemic prevention and control work, conducting comprehensive disinfection in production and office area, distributing anti-epidemic materials such face masks, and taking preventive measures such as health screening every day, and has orderly resumed work and production on the basis of ensuring the health of employees. Meanwhile, the Company actively communicates with clients and suppliers, timely adjusts manufacture and operation plans, and minimizes the adverse influence of the Epidemic.

EVENTS AFTER THE PERIOD

No significant event occurred after the results period of the Company and up to the date of this announcement.

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 RMB579.78 million. As at 31 December 2019, 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 2019**	**Unutilised as at 31 December 2019**	**Expected to be utilised before the following dates**
		RMB'000	*RMB'000*	*RMB'000*	
Expansion of production capacity and fixed asset investments	31.00%	179,732	179,732	0	N/A
Domestic and overseas acquisitions	15.00%	86,967	10,849	76,118	June 2021
Purchase of raw materials	15.00%	86,967	86,967	0	N/A
R&D and testing of new products	15.00%	86,967	86,967	0	N/A
Deposits for project bids	10.00%	57,978	57,978	0	N/A
Working capital	10.00%	57,978	57,978	0	N/A
Upgrade of information systems and automated production facilities	4.00%	23,191	23,191	0	N/A
Total	**100.00%**	**579,780**	**503,662**	**76,118**	

The unutilised net proceeds as at 31 December 2019 had been deposited in banks in the PRC.

PUBLIC FLOAT

Based on the publicly available information to the Company and to the knowledge of the directors of the Company (the "**Directors**"), not less than 25% of the shares of the Company in issue were held by the public for the year ended 31 December 2019, in accordance with the requirement of the Listing Rules.

ANNUAL GENERAL MEETING

The annual general meeting (the "**AGM**") will be held on Thursday, 28 May 2020. Shareholders may refer to the notice 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 RMB0.042 (tax inclusive) per share for the year ended 31 December 2019 (the "**2019 Final Dividend**") with an aggregate net amount of RMB37,709,280 to shareholders of the Company whose names were listed on the Company's register of members as at Monday, 8 June 2020, subject to the approval by the shareholders of the Company (the "**Shareholders**") at the forthcoming AGM to be held on Thursday, 28 May 2020. Once the relevant resolution is passed at the AGM, the 2019 Final Dividend is expected to be paid around 16 July 2020.

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

According to the Articles of Association, dividends shall be denominated and declared in Renminbi. Dividends on domestic shares shall be paid in Renminbi and dividends on H shares shall be paid in foreign currencies. The relevant exchange rate shall be the average middle 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 2019 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 Monday, 8 June 2020.

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 exempt 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 2019 Final Dividend pursuant to the register of members of domestic corporate investors as holders of H shares of the Company as at Monday, 8 June 2020 provided by China Securities Depository and Clearing Corporation Limited ("**China Clearing**"), the Company shall not withhold tax on dividend for 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 2019 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 Monday, 8 June 2020 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 on 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 Monday, 8 June 2020 (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 the arrangements are as follows:

- For Individual H Shareholders who are Hong Kong or Macau residents or residents of another 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 (《稅收通知》). 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 residents 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 Tuesday, 2 June 2020. 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) (《非居民納税人享受税收協定待遇管理辦法》(國税發[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 of the Company to be held on Thursday, 28 May 2020, the register of members of the Company will be closed from Tuesday, 28 April 2020 to Thursday, 28 May 2020 (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 Thursday, 28 May 2020 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 Monday, 27 April 2020 (Hong Kong time) for registration.

In order to determine the list of shareholders who are entitled to the 2019 Final Dividend, the register of members of the Company will be closed from Wednesday, 3 June 2020 to Monday, 8 June 2020 (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, 8 June 2020 are entitled to the 2019 Final Dividend. Holders of H shares of the Company intended to receive the 2019 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 Tuesday, 2 June 2020 (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 2019.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

As a company listed on the Stock Exchange, the Company always strives to maintain a high level of corporate governance and complied with all code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules for the year ended 31 December 2019.

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 2019, 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

The financial figures in respect of the Group's consolidated financial statements and the related notes thereto for the year ended 31 December 2019 as set out in the preliminary announcement have been agreed by the Group's auditor, Pan-China Certified Public Accountant LLP (天健會計師事務所(特殊普通合夥))("**PCCPA**"), Certified Public Accountants, to the amounts set out in the Group's consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by PCCPA 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 PCCPA.

AUDIT COMMITTEE

The audit committee of the Company has reviewed the Group's 2019 annual results and the financial statements for the year ended 31 December 2019 prepared in accordance with the PRC Accounting Standards.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL 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 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 Stock Exchange.

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

Shijiazhuang, the PRC, 25 March 2020

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

* *For identification purposes only*