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 2020

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 2020 (all amounts in RMB'000 unless otherwise stated), together with comparative figures as follows:

* *For identification purposes only*

CONSOLIDATED INCOME STATEMENT
For the six months ended 30 June 2020

	Notes	For the six months ended 30 June 2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited) (Restated)
I. Total operating income	9	**575,859**	447,330
II. Total operating cost		**439,282**	375,028
Including: Operating cost	9	**355,946**	304,102
Taxes and surcharges		**4,793**	2,308
Selling expenses		**19,767**	20,035
Management expenses		**33,644**	28,232
Research and development expense		**19,859**	16,091
Finance costs		**5,273**	4,260
Including: Finance costs		**7,465**	3,159
Interest income		**1,616**	230
Add: Other income		**1,041**	317
Investment gains		**17,761**	14,574
Including: Gains on investments in associates and joint ventures		**17,761**	14,574
Gain from changes in fair value		**–**	730
Loss on credit impairment		**(37,718)**	15,309
Impairment loss of assets		**(3,609)**	2,262
Gains on disposal of assets		**110**	–
III. Operating profits		**114,162**	105,494
Add: Non-operating incomes		**97**	40
Less: Non-operating expenses		**2,458**	–
IV. Total profit		**111,801**	105,534
Less: Income tax expenses	10	**15,183**	14,737

CONSOLIDATED INCOME STATEMENT (CONTINUED)
For the six months ended 30 June 2020

	Notes	For the six months ended 30 June 2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited) (Restated)
V. Net profit			
(I) Classified according to continuity of operation:			
1. Net profit from continuing operations		**96,618**	90,797
2. Net profit from discontinued operations		**–**	–
(II) Classified according to equity holdings:			
1. Net profit attributable to owners of the parent		**95,021**	89,622
2. Profit or loss of minority interests		**1,597**	1,175
VI. Other comprehensive income after tax, net			
Other comprehensive income after tax attributable to owners of the parent, net		**–**	–
(I) Other comprehensive income that cannot be reclassified to profit or loss		**–**	–
(II) Other comprehensive income that will be reclassified to profit or loss		**–**	–
VII. Total other comprehensive income		**96,618**	90,797
Total comprehensive income attributable to owners of the parent		**95,021**	89,622
Total comprehensive income attributable to minority interests		**1,597**	1,175
VIII. Earnings per share:			
Basic earnings per share *(RMB)*	*11*	**0.11**	0.10
Diluted earnings per share *(RMB)*		**0.11**	0.10

CONSOLIDATED BALANCE SHEET

As at 30 June 2020

	Notes	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited) (Restated)
Current assets			
Monetary capital		**295,515**	404,072
Financial assets held for trading		**1,939**	1,939
Bills receivable	*5*	**76,245**	84,632
Accounts receivable	*6*	**920,042**	928,632
Financing of receivables		**6,889**	12,931
Prepayments		**34,661**	18,760
Other receivables		**16,569**	20,277
Inventories		**368,918**	355,230
Contract assets		**43,077**	58,291
Other current assets		**3,125**	2,054
Total current assets		**1,766,980**	1,886,818
Non-current assets			
Long-term equity investments		**169,584**	158,998
Fixed assets		**153,654**	125,378
Construction in progress		**370,566**	338,146
Right-of-use assets		**299**	599
Intangible assets		**91,566**	91,285
Goodwill		**102,739**	102,739
Deferred income tax assets		**33,484**	27,107
Other non-current assets		**127,314**	116,791
Total non-current assets		**1,049,206**	961,043
Total assets		**2,816,186**	2,847,861

CONSOLIDATED BALANCE SHEET (CONTINUED)
As at 30 June 2020

	Notes	**30 June 2020** *RMB'000* **(Unaudited)**	31 December 2019 *RMB'000* (Audited) (Restated)
Current liabilities			
Short-term borrowings		**155,000**	170,000
Bills payable	*7*	**20,000**	69,318
Accounts payable	*8*	**357,097**	405,068
Contract liabilities		**13,305**	8,581
Payroll payable		**7,633**	7,119
Tax payable		**14,372**	16,290
Other payables		**56,644**	17,545
Non-current liabilities due within one year		**93,288**	32,645
Other current liabilities		**535**	260
Total current liabilities		**717,874**	726,826
Non-current liabilities			
Long-term borrowings		**–**	70,000
Long-term payables		**36,492**	47,980
Deferred income		**5,293**	5,409
Deferred income tax liabilities		**633**	662
Total non-current liabilities		**42,418**	124,051
Total liabilities		**760,292**	850,877
Owners' equity			
Share capital		**448,920**	448,920
Capital reserve		**830,651**	830,651
Surplus reserve		**90,991**	90,991
Undistributed profits		**608,549**	551,237
Total equity attributable to owners of the parent		**1,979,111**	1,921,799
Minority interests		**76,783**	75,185
Total owner's equity		**2,055,894**	1,996,984
Total liabilities and owner's equity		**2,816,186**	2,847,861

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**").

The Company was incorporated in the People's Republic of China (the "**PRC**") on 9 April 2001. The addresses of the Company's registered office 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.

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

Unless otherwise stated, the financial information for the six months ended 30 June 2020 is presented in thousands of Renminbi ("**RMB**").

The consolidated results for the six months ended 30 June 2020 have not been audited by auditors of the Company, but have been reviewed by the Audit Committee of the Company.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These financial statements are prepared on a going concern basis and based on 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 "**PRC Accounting Standards**"), as well as 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. ADJUSTMENTS IN THE FINANCIAL STATEMENTS FOR THE PRIOR PERIOD

In order to implement more cautiously the provisions of the Accounting Standards for Business Enterprises relating to provisions for bad debts, impairment provision for inventory, deferred income tax assets, investment income of associates and presentation of accounting items, the Group refers to the practices of A-share listed companies in the same industry to review and made adjustment for "management expenses", "selling expenses", "investment gains", "loss on credit impairment", "impairment loss of assets" and "income tax expenses", etc. in the income statement from January to June 2019. The Group has made presentation adjustment for "contract assets", "accounts receivable", "other non-current assets" in the balance sheet as at 31 December 2019 pursuant to the new revenue standards.

4. 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.

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 railway fastening system products
- Flux cored wire products: manufacturing and sales of flux cored wires
- Railway sleeper products: manufacturing and sales of concrete sleepers

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. The information about the reportable segments and adjustments of the results of the reportable segments are as follows:

The segment information for January to June 2020 and January to June 2019 are as follows:

Items	**Rail fastening**		**Flux cored wire**	
	January to June 2020	January to June 2019	**January to June 2020**	January to June 2019
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
		(Restated)		(Restated)
Total revenue	**440,534**	350,969	**97,951**	87,846
Inter-segment revenue				
Revenue from external customers	**440,534**	350,969	**97,951**	87,846
Total cost of sales	**248,632**	219,463	**84,514**	78,400
Segment gross profit	**191,902**	131,506	**13,437**	9,446
Other profit and loss disclosure				
Depreciation and amortisation	**8,518**	5,913	**1,894**	1,435
Provisions for impairment of receivables	**(38,118)**	14,908	**677**	466
Provisions for impairment loss of assets	**(3,530)**	2,120	**(79)**	142
Finance costs	**4,228**	3,362	**940**	841

Items	**Railway Sleeper**		**Others**		**Total**	
	January to June 2020	January to June 2019	**January to June 2020**	January to June 2019	January to June 2020	January to June 2019
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
		(Restated)		(Restated)		(Restated)
Total revenue	**28,928**	2,532	**8,446**	5,983	**575,859**	447,330
Inter-segment revenue						
Revenue from external customers	**28,928**	2,532	**8,446**	5,983	**575,859**	447,330
Total cost of sales	**17,030**	1,420	**5,770**	4,819	**355,946**	304,102
Segment gross profit	**11,898**	1,112	**2,676**	1,164	**219,913**	143,228
Other profit and loss disclosure						
Depreciation and amortisation	**1,357**	189	**163**	2,593	**11,932**	10,130
Provisions for impairment of receivables	**(201)**	69	**(76)**	(134)	**(37,718)**	15,309
Provisions for impairment loss of assets	**–**	–			**(3,609)**	2,262
Finance costs	**24**		**81**	57	**5,273**	4,260

5. BILLS RECEIVABLE

Breakdown

Items	**30 June 2020** *RMB'000*	31 December 2019 *RMB'000*
Book balance of bills receivable	**79,074**	92,089
Less: Provision for bad debts	**2,829**	7,457
Book value of bills receivable	**76,245**	84,632

6. ACCOUNTS RECEIVABLE

(a) Breakdown

Items	**30 June 2020** *RMB'000*	31 December 2019 *RMB'000* (Restated)
Book balance of accounts receivable	**1,073,253**	1,047,239
Less: Provision for bad debts	**153,211**	118,607
Book value of accounts receivable	**920,042**	928,632

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

Items	**30 June 2020** *RMB'000*	31 December 2019 *RMB'000*
Within 1 year	**709,947**	639,594
1 to 2 years	**217,030**	230,087
2 to 3 years	**65,029**	101,407
Over 3 years	**81,247**	76,151
Total	**1,073,253**	1,047,239

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

7. BILLS PAYABLE

Items	**30 June 2020** *RMB'000*	31 December 2019 *RMB'000*
Bills payable	**20,000**	69,318
Total	**20,000**	69,318

8. ACCOUNTS PAYABLE

(a) Breakdown

Items	**30 June 2020** *RMB'000*	31 December 2019 *RMB'000*
Accounts payable	**357,097**	405,068
Total	**357,097**	405,068

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

Items	**30 June 2020** *RMB'000*	31 December 2019 *RMB'000* (Restated)
Within 1 year	**304,559**	348,659
Over 1 year	**52,538**	56,409
Total	**357,097**	405,068

9. OPERATING REVENUE/OPERATING COST

Items	**January to June 2020** *RMB'000*		January to June 2019 *RMB'000*	
	Revenue	**Cost**	Revenue	Cost
Revenue from principal business	**567,413**	**350,176**	441,347	299,283
Other operating revenue	**8,446**	**5,770**	5,983	4,819
Total	**575,859**	**355,946**	447,330	304,102

10. INCOME TAX EXPENSES

Items	**30 June 2020** *RMB'000*	30 June 2019 *RMB'000*
Current income tax expenses	**21,589**	10,738
Deferred income tax expenses	**(6,406)**	3,999
Total	**15,183**	14,737

11. EARNINGS PER SHARE

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

Items	**30 June 2020** *RMB*	30 June 2019 *RMB*
Profit attributable to equity owners of the Company	**95,021**	89,622
Weighted average number of ordinary shares in issue	**897,840**	897,840
Basic earnings per share (RMB per share)	**0.11**	0.10

There were no potential dilutive ordinary shares for the six months ended 30 June 2019 and 2020. Diluted earnings per share were equal to basic earnings per share.

12. DIVIDEND

The Board of the Company resolved to recommend the payment of an interim dividend of RMB0.017 per share (tax inclusive) as at 30 June 2020 (the "**2020 Interim Dividend**") with an aggregate net amount of RMB15,263,280 to shareholders of the Company (for the six months ended 30 June 2019: Nil). Dividend amounted to RMB37,709,280 (approximately RMB0.042 (tax inclusive) per share) for the year ended 31 December 2019 has been paid in July 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

2020 has been an unusual year, during which the global economy has been overshadowed by the raging novel coronavirus (COVID-19) epidemic, while the international trade and investments have also shrunk drastically. After experiencing the impact of the COVID-19 epidemic on the first quarter, China's economy has gradually overcome the adverse effects from the epidemic in the first half of the year as the economic operation has shown a restorative growth and steady recovery trend, demonstrating enhanced resilience and vitality in development. Railway construction is indispensable to the national development and the improvement of people's livelihood. The timely resumption of work and production of the railway in the first half of the year has also brought refreshing opportunities to numerous industrial chains.

In the first half of 2020, railway construction was pushed forward with high quality and efficiency according to the established objectives. The fixed asset investments in national railways amounted to RMB325.8 billion, with an increase of RMB3.8 billion over the same period last year, representing a year-on-year increase of 1.2%. Among which, the investments in national railway infrastructure amounted to RMB245.1 billion, representing a year-on-year increase of 3.7%, and RMB179.7 billion of which has been invested in the second quarter, representing a year-on-year increase of 16.4%. The investment plan has not only attained overfulfilment, but also compensated for the investment lag in the first quarter and achieved growth in railway investments in adversity, setting a new record. As of 1 July 2020, 1,178 km of new lines commenced operation, including 605 km of high-speed rail, highlighting the current development momentum of China's railway construction investment which is still growing in scale.

During the period, China's railway construction continued to serve the national development strategies. The preliminary work of key projects such as the Sichuan-Tibet Railway and the high-speed railways along the Yangtze River Delta made good progress, while the construction of 12 projects including the Zhengzhou-Jinan High-speed Railway (Shandong section) and the Shanghai-Suzhou-Huzhou Railway commenced smoothly, which fully reflects the facilitating role of railway investments in stabilising the economy, stabilising employment and stabilising expectations. The optimisation of the road network structure has also made positive contributions to regional economic development and poverty alleviation.

At the same time, China's urban rail transit construction has also made positive progress. According to the statistics of the China Association of Metros, for the urban rail transit approved projects nationwide, there are a total of 272.54 km of new lines and a total of RMB230.615 billion of additional investments in the first half of this year. As of the end of the period, an aggregate of 6,917.62 km of urban rail transit lines were in operation across a total of 41 cities in China. During the period, the Company firmly captured these opportunities and actively participated in the construction of high-speed rail, heavy-haul rail and urban rail transit in various regions, ensuring the safe, stable and efficient operation of railways with high-quality products and services.

BUSINESS REVIEW

The sudden arrival of the epidemic in early 2020 has affected the development of various industries to different degrees and has triggered turbulence in China and global economy to different degrees. As the business of the Group is predominantly carried out in domestic market, the continuing spread of the global epidemic has a relatively small impact on the Group's business. In terms of domestic market, local governments implemented lockdown policies in the first quarter, resulting in a suspension or slowdown of some railway constructions and causing delayed deliveries of some customer orders, which imposed a certain degree of adverse impact on the entire industry. However, China has begun to accelerate the resumption of work and production when entering the second quarter, as various industries have quickly returned to normal operation with some engineering projects even accelerated their construction. Since the outbreak of the epidemic, the Group has been closely monitoring the epidemic situation, strictly executing various epidemic prevention and control work, and has conducted various operational activities in an orderly manner and on the basis of ensuring the health of employees. Meanwhile, the Company has actively adjusted its market strategy and prepared emergency plans, kept optimizing customer structure and improving capital turnover efficiency, and actively expanded its customer base to obtain more diversified sources of income.

The Group is a leading rail fastening system product provider in the PRC, with its major business focused on three business segments, including 1) rail fastening system products; 2) flux cored wire products; and 3) railway sleeper products. For the six months ended 30 June 2020, the total revenue of the Group amounted to approximately RMB575.9 million, representing a year-on-year increase of approximately 28.8%.

Rail Fastening System Products

For the six months ended 30 June 2020, the revenue from rail fastening system products amounted to approximately RMB440.5 million, representing approximately 76.5% of the Group's total revenue and an increase of approximately 25.5% over the revenue of approximately RMB351 million from this segment in the corresponding period of last year. This was mainly attributable to the growing sales volume of rail fastening products during the period under review.

For the period under review, the cost of sales relating to rail fastening system products increased by approximately 13.3% from approximately RMB219.5 million for the first half of 2019 to approximately RMB248.6 million for the corresponding period of 2020. The change in cost was mainly attributable to the growing sales volume of rail fastening system products during the period under review.

For the period, the gross profit of rail fastening system products amounted to approximately RMB191.9 million, representing an increase of approximately 45.9% compared with the gross profit of approximately RMB131.5 million for the corresponding period of last year. The gross profit margin of rail fastening system products increased from approximately 37.5% for the first half of 2019 to approximately 43.6% for the first half of 2020.

As of 30 June 2020, the Group's initial value of entering into agreements on supplying rail fastening systems was approximately RMB604.46 million, representing an increase of approximately 7.34% from the corresponding period of last year. Of the amount, the initial value of entering into agreements on high-speed rail fastening systems amounted to approximately RMB369.92 million, representing an increase of approximately 19.33% compared with the corresponding period of last year; the initial value of entering into agreements on heavy-haul rail fastening systems amounted to approximately RMB28.54 million; the initial value of entering into agreements on urban transit fastening systems amounted to approximately RMB143.23 million; and the initial value of entering into agreements on normal speed rail fastening systems was approximately RMB62.76 million. As of 30 June 2020, the backlog of the Group amounted to approximately RMB1,331.24 million (value-added tax included).

Flux Cored Wire Products

For the six months ended 30 June 2020, the revenue from flux cored wire products amounted to approximately RMB98 million, accounting for approximately 17% of total revenue of the Group. Compared to the revenue of approximately RMB87.8 million for the first half of 2019, the increase in revenue was mainly attributable to the growing market demand for flux cored wire over the first half of 2020.

The Group's revenue from 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 further expand its customer range on the basis of continuous collaboration with the existing major customers.

Railway Sleeper Products

For the six months ended 30 June 2020, the revenue from railway sleeper products was approximately RMB28.9 million, accounting for approximately 5% of the Group's total revenue, while the revenue from railway fastening products increased by approximately 1,056% compared with the corresponding period of last year, mainly attributable to the increase in revenue from its subsidiary Xingtai Juneng Railway Electrical Equipment Co. LTD (邢臺炬能鐵路電氣器材有限公司).

FUTURE PROSPECTS

The "Outline for Planning on Nation with Strong Railway-oriented Transport System in the New Era (新時代交通強國鐵路先行規劃綱要)" (the "**Outline**"), which was issued by China State Railway Group Co., Ltd. on 12 August 2020, clearly stated that by 2035, it will be the first to achieve interconnection for domestic and international markets, multiple inter-regional connectivity, efficient connection of provincial capitals, quick access to prefectures and cities, basic coverage of counties, smooth connection of hubs, intelligent upgrade of network facilities, thereby effectively supporting the dynamic modern railway network; by 2050, the nation will be fully developed with higher standard of modern railway system. The Outline also stated that by 2035, the national railway network will cover an area of about 200,000 km with nearly 70,000 km of high-speed railways, while cities with a population of more than 200,000 people will be covered by railways and cities with a population of more than 500,000 population will be accessible by high-speed railways. The launch of the Outline has brought a new round of development opportunities for high-speed railways, normal-speed railways and intercity and municipal railways, injecting refreshing vitality and energy into the railway industry.

With the gradual deepening of "New Infrastructure (新基建)", the pace of railway construction has been accelerated through strengthening points of weakness in infrastructure for improvement of uneven regional development and speeding up construction of new infrastructure with information infrastructure as the core. China State Railway Group Co., Ltd., has launched numerous key projects such as the Yinchuan-Xi'an High-speed Railway, the Beijing-Xiong'an New Area Intercity Railway (Hebei section), the Hefei-Anqing High-speed Railway and the Huai'an-Zhenjiang Railway, which are scheduled to commence operation in the second half of 2020. The projects are proceeding in an orderly manner and will be in operation on schedule. It is expected that about 4,400 km of new rail lines will be in operation throughout 2020, including about 2,300 km of high-speed railways.

In the Government Work Report of this year, the Chinese Government pointed out that it is necessary to expand effective investment with priority given to construction of "New Infrastructure, New Urbanization Initiatives and Major Projects (兩新一重)", which not only boost consumption and benefit the people, but also facilitate structural adjustments and enhance the sustainability of growth. It is also proposed to increase the national railway development capital by RMB100 billion to facilitate "Effective Investment (有效投資)" in the transportation sector. As a major project to stimulate economic growth, railways are an important means to effectively expand domestic demands and realise the "Six Stability (六穩)" and "Six Guarantees (六保)", which is expected to receive additional support from national policies.

The development of railways in the new era has gradually shifted from the pursuit of speed and scale to focusing on quality and efficiency, therefore imposing higher and stricter requirements on the development of the industry as a whole. With the rapid development of railway construction, the emergence of a large number of new lines, new technologies, new demands and new business formats will bring new room for development to the Group. As a leading rail fastening system provider in the railway industry of China, the Group will closely follow the market development opportunities brought about by the continuous growth of railway construction, actively research and innovate, and strive to improve product quality and service standards to provide high standard and high quality rail fastening system products and railway sleeper products, thereby contributing to the high-level construction and safe operation of railways in China. On the other hand, the Group will also actively explore opportunities for vertical expansion in the industry and enhance the core competitiveness and profitability of the Group with a diversified product offering, so as to give back to shareholders and investors.

PERFORMANCE ANALYSIS AND DISCUSSION

Revenue

The Group's business operations mainly comprise the research and development, manufacturing and sales of rail fastening system products, flux cored wire products and railway sleeper products. The above business segments have brought sustained and stable revenue to the Group. The revenue of the Group increased to approximately RMB575.9 million in the first half of 2020 from approximately RMB447.3 million in the first half of 2019, mainly as a result of the increase in revenue from rail fastening system products.

Revenue generated from rail fastening system products increased by approximately 25.5% to approximately RMB440.5 million in the first half of 2020 from approximately RMB351 million in the first half of 2019, mainly because of the increase in sales volume of rail fastening system products.

Revenue generated from flux cored wire products increased by approximately 11.6% from approximately RMB87.8 million in the first half of 2019 to approximately RMB98 million in the corresponding period of 2020, primarily owing to the higher market demand for flux cored wire during the first half of 2020.

Revenue related to railway sleeper products increased by approximately 1,056% from approximately RMB2.5 million in the first half of 2019 to approximately RMB28.9 million in the corresponding period of 2020, mainly because of the growth of revenue from its subsidiary Xingtai Juneng Railway Electrical Equipment Co. LTD. (邢臺炬能鐵路電氣器材有限公司).

Apart from the revenue generated from selling rail fastening system products, flux cored wire products and railway sleeper products, the Group also generated revenue mainly from the sales of raw materials and the provision of product processing services.

Cost of Sales

The Group's cost of sales increased by approximately 17.0% to approximately RMB355.9 million in the first half of 2020 from approximately RMB304.1 million in the first half of 2019, which was mainly attributable to the increase in product revenue, and the increase in cost of sales accordingly.

Cost of sales incurred by rail fastening system products increased by approximately 13.3% to approximately RMB248.6 million in the first half of 2020 from approximately RMB219.5 million in the same period of 2019, which was mainly attributable to the increase in product revenue, and the increase in cost of sales accordingly.

Cost of sales incurred by flux cored wire products increased by approximately 7.8% to approximately RMB84.5 million in the first half of 2020 from approximately RMB78.4 million in the same period of 2019, which was mainly attributable to an increase in the sales revenue of flux cored wire products which led to higher cost of sales.

Cost of sales relating to railway sleeper products increased by approximately 1,114.3% to approximately RMB17 million in the first half of 2020 from approximately RMB1.4 million in the same period of 2019, which was mainly attributable to an increase in the sales revenue of railway sleeper products which led to higher cost of sales.

Gross Profit

Based on the aforesaid reasons, the Group recorded a gross profit of approximately RMB219.9 million from January to June 2020, representing an increase of approximately 53.6% from the gross profit of approximately RMB143.2 million recorded for the corresponding period of 2019, which was mainly due to (i) a decrease in cost of sales caused by the decreased price of raw materials; and (ii) sales revenue for the period increased by 28.8% compared with the corresponding period of last year.

Gross profit of rail fastening system products increased by approximately 45.9% to approximately RMB191.9 million in the first half of 2020 from approximately RMB131.5 million in the corresponding period of 2019. Gross profit margin of rail fastening system products increased to approximately 43.6% in the first half of 2020 from approximately 37.5% in the first half of 2019, which mainly resulted from the lower price of steel as a raw material.

Gross profit of flux cored wire products climbed by approximately 41.1% to approximately RMB13.4 million in the first half of 2020 from approximately RMB9.5 million in the corresponding period of 2019. Gross profit margin grew to approximately 13.7% in the first half of 2020 from approximately 10.8% in the first half of 2019, which mainly resulted from the increasing market share of special flux cored wire.

Gross profit of railway sleeper products climbed by approximately 981.8% to approximately RMB11.9 million in the first half of 2020 from approximately RMB1.1 million in the first half of 2019. Gross profit margin dropped to approximately 41.2% in the first half of 2020 from approximately 44% in the first half of 2019, which mainly resulted from the decrease in gross profit margin due to the sales of different types of railway sleeper products.

Selling Expenses

Selling expenses of the Group amounted to approximately RMB19.8 million from January to June 2020, compared to approximately RMB20 million (restated) from January to June 2019. For the six months ended 30 June 2020 and 2019, selling expenses as a percentage of total revenue were approximately 3.4% and approximately 4.5%, respectively. Lower selling expenses mainly resulted from the closer sales distance of rail fastening system products for the year which led to decreased transportation expenses.

Management Expenses

Management expenses of the Group increased to approximately RMB33.6 million from January to June 2020 from approximately RMB28.2 million (restated) from January to June 2019, mainly due to the increase in technology transfer fees.

Investment Profits of an Associate

From January to June 2020, the Group's share of investment profits of an associate was approximately RMB17.8 million, representing an increase of approximately RMB3.2 million as compared with the corresponding period of 2019 (restated). This was mainly attributable to the increase in net profit of the Group and its associate.

Net Finance Costs

For the first half of 2020, the Group incurred net finance cost totaling RMB5.3 million, as compared to net finance cost totaling approximately RMB4.3 million incurred in the first half of 2019. The increase in net finance costs was mainly due to the newly added interest expense on sale and leaseback during the period.

Operating Profits

Based on the aforesaid reasons, the Group recorded operating profits of approximately RMB114.2 million from January to June 2020, representing a growth of approximately 8.2% from approximately RMB105.5 million (restated) in the corresponding period of 2019, which was mainly attributable to the higher sales revenue of rail fastening system products.

Income Tax

Income tax expense of the Group increased to approximately RMB15.2 million from January to June 2020, from approximately RMB14.7 million from January to June 2019, which was mainly attributable to an increase in total profits.

Net Profit

Based on the aforesaid reasons, net profit increased by approximately 6.4% to approximately RMB96.6 million for the period ended 30 June 2020, from approximately RMB90.8 million for the period ended 30 June 2019. Net profit margin decreased from 20.3% for the period ended 30 June 2019 to 16.8% for the period ended 30 June 2020, which was mainly attributable to an increase in the loss on credit impairment during the period.

From January to June 2020, the Group's net profit attributable to owners of the parent company amounted to approximately RMB95 million, representing an increase of approximately 6% from approximately RMB89.6 million for the same period of 2019. For the first half of 2020, basic earnings per share amounted to RMB0.11, with no significant changes from the basic earnings of RMB0.1 per share for the same period of 2019. The increase in the Company's net profit attributable to owners of the parent company was mainly due to the increase in net profit of the Group in the first half of 2020.

Total Assets

As at 30 June 2020, the total assets of the Group were approximately RMB2,816.2 million, representing a decrease of approximately 1.1% from approximately RMB2,847.9 million as at 31 December 2019. This was mainly because of the decrease of approximately RMB108.6 million in monetary capital, which were used for repayment of borrowings and payments.

Total Liabilities

As at 30 June 2020, the total liabilities of the Group were approximately RMB760.3 million, representing a decrease of approximately RMB90.6 million or approximately 10.6% from that as at 31 December 2019. This was mainly due to the decrease in repayment of short-term borrowings and long-term payables.

Total Equity

As at 30 June 2020, the total equity of the Group was approximately RMB2,055.9 million, representing an increase of approximately RMB58.9 million from that as at 31 December 2019, 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 2020, the Group's gearing ratio was 5.0%, representing an increase of 3 percentage points from 2.0% as at 31 December 2019, mainly because of the decrease in cash and cash equivalents.

EVENTS AFTER BALANCE SHEET DATE

Except for the payment of final dividend for the year ended 31 December 2019 in July 2020, there are no any other significant events occurred after the period.

EXTRAORDINARY GENERAL MEETING

The extraordinary general meeting (the "**EGM**") will be held on Thursday, 15 October 2020. Shareholders may refer to the notice and form of proxy of the EGM for details regarding the EGM.

INTERIM DIVIDEND

The Board resolved to recommend the payment of an interim dividend of RMB0.017 per share (tax inclusive) as of 30 June 2020 (the "**2020 Interim Dividend**") with an aggregate net amount of RMB15,263,280 to the shareholders of the Company whose names are listed on the Company's register of members as at Tuesday, 27 October 2020. Once the relevant resolution is passed in the EGM, the 2020 Interim Dividend is expected to be paid on or around 27 November 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 2020 Interim 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 Tuesday, 27 October 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 2020 Interim Dividend pursuant to the register of members of domestic corporate investors as holders of H shares of the Company as at Tuesday, 27 October 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%. 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 2020 Interim 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 Tuesday, 27 October 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 Tuesday, 27 October 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 2020 Interim 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 2020 Interim 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 2020 Interim 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 2020 Interim 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, 20 October 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) (《非居民納稅人享受稅收協定待遇管理辦法》（國稅發[2015]60號）) if they fail to provide the relevant supporting documents to the Company before the time limit stated above.

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

CLOSURE OF REGISTER OF MEMBERS

In order to determine the list of shareholders who are entitled to attend and vote at the EGM of the Company to be held on Thursday, 15 October 2020, the register of members of the Company will be closed from Monday, 14 September 2020 to Thursday, 15 October 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, 15 October 2020 are entitled to attend and vote at this EGM. Holders of H shares of the Company intended to attend and vote at this EGM 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 Friday, 11 September 2020 (Hong Kong time) for registration.

In order to determine the list of shareholders who are entitled to the 2020 Interim Dividend, the register of members of the Company will be closed from Wednesday, 21 October 2020 to Tuesday, 27 October 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 Tuesday, 27 October 2020 are entitled to the 2020 Interim Dividend. Holders of H shares of the Company intended to receive the 2020 Interim 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, 20 October 2020 (Hong Kong time) for registration.

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 2020.

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 2020, 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, 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 2020.

AUDIT COMMITTEE

The interim condensed consolidated financial information has not been audited by the auditor of the Company.

The Audit Committee has reviewed the Group's unaudited interim condensed consolidated results and interim report for the six months ended 30 June 2020 prepared in accordance with the PRC Accounting Standards and agreed to the accounting principles, accounting treatment 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 2020 interim 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, 28 August 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*