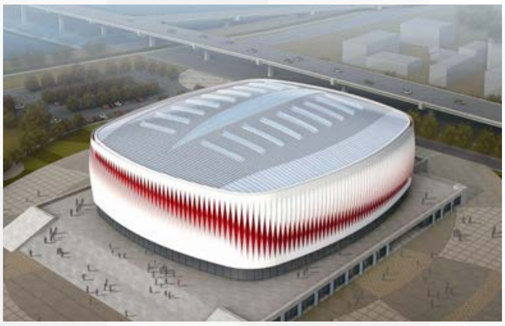
河北建設集團股份有限公司
HEBEI CONSTRUCTION GROUP CORPORATION LIMITED

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

STOCK CODE: 1727



2019
INTERIM REPORT

CONTENTS

CORPORATE INFORMATION

Basic information of the Company is set out below:

LEGAL NAME OF THE COMPANY

河北建設集團股份有限公司

ENGLISH NAME OF THE COMPANY

Hebei Construction Group Corporation Limited

DIRECTORS

Executive Directors Note 1

Mr. Li Baozhong *(Chairman of the Board)*
Mr. Shang Jinfeng *(President)*
Mr. Liu Yongjian
Mr. Zhao Wensheng*Note 2*

Non-executive Directors

Mr. Li Baoyuan *(Honorary Chairman)*
Mr. Cao Qingshe *(Vice Chairman)*

Independent Non-executive Directors

Mr. Xiao Xuwen
Ms. Shen Lifeng
Ms. Chen Xin
Mr. Chan Ngai Sang Kenny

Supervisors

Mr. Yu Xuefeng *(Chairman of the Board of Supervisors)*
Mr. Liu Jingqiao
Ms. Feng Xiujian
Mr. Yue Jianming
Mr. Wang Feng

JOINT COMPANY SECRETARIES

Mr. Li Wutie
Ms. Wong Wai Ling *(ACIS, ACS)*

AUTHORIZED REPRESENTATIVES

Ms. Shen Lifeng
Ms. Wong Wai Ling *(ACIS, ACS)*

BOARD COMMITTEES

Audit Committee

Ms. Shen Lifeng *(Chairwoman of the committee)*
Mr. Li Baoyuan
Mr. Cao Qingshe
Ms. Chen Xin
Mr. Chan Ngai Sang Kenny

Remuneration and Appraisal Committee

Ms. Chen Xin *(Chairwoman of the committee)*
Mr. Li Baozhong
Mr. Shang Jinfeng
Ms. Shen Lifeng
Mr. Chan Ngai Sang Kenny

Nomination Committee

Ms. Chen Xin *(Chairwoman of the committee)**Note 3*
Mr. Li Baozhong*Note 4*
Mr. Shang Jinfeng
Ms. Shen Lifeng
Mr. Chan Ngai Sang Kenny

Notes:

1 During the Reporting Period, Ms. Liu Shuzhen resigned as an executive Director, a Vice President and the Chief Economic Officer of the Company on 8 January 2019, due to reaching her retirement age.

2 Mr. Zhao Wensheng took office as an executive Director of the Company on 25 February 2019.

3 Ms. Chen Xin took office as the chairman of the Nomination Committee of the Board on 19 July 2019.

4 In order to further improve the Company's governance structure and meet the requirements of A-share listed companies, Mr. Li Baozhong resigned as the chairman of the Nomination Committee of the Board on 19 July 2019.

Strategic Committee

Mr. Li Baozhong *(Chairman of the committee)*
Mr. Cao Qingshe
Mr. Shang Jinfeng

REGISTERED OFFICE

125 Lugang Road
Jingxiu District
Baoding, Hebei Province
PRC

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

125 Lugang Road
Jingxiu District
Baoding, Hebei Province
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

40th Floor, Sunlight Tower
248 Queen's Road East
Wanchai, Hong Kong

STOCK SHORT NAME AND STOCK CODE

HEBEI CONS (01727)

H SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

COMPANY WEBSITE

http://www.hebjs.com.cn

INVESTOR RELATIONS CONTACT

Tel: (86) 312 331 1028
Fax: (86) 312 301 9434
E-mail: hebeijianshe@hebjs.com.cn
Address: No. 329, Wusixi Road,
Jingxiu District,
Baoding City, Hebei Province, PRC
Postal Code: 071000

LEGAL ADVISERS

As to Hong Kong law

Clifford Chance
27/F, Jardine House
One Connaught Place
Central, Hong Kong

As to PRC law

Jia Yuan Law Offices
F408, Ocean Plaza
158 Fuxing Men Nei Street, Xicheng District
Beijing, PRC

AUDITORS *Note 1*

Ernst & Young Hua Ming LLP
Certified Public Accountants
Level 16, Ernst & Young Tower, Oriental Plaza
No. 1 East Chang An Avenue
Dong Cheng District, Beijing, PRC

Note:

1 The Company no longer re-appoints Ernst & Young as its overseas audit institution for the year of 2019 since 20 June 2019.

FINANCIAL HIGHLIGHTS

For the six months ended 30 June 2019, our revenue amounted to RMB20,297 million, representing an increase of 2.7% as compared with the corresponding period of 2018.

For the six months ended 30 June 2019, our net profit amounted to RMB568 million, representing an increase of 18.3% as compared with the corresponding period of 2018.

For the six months ended 30 June 2019, our profit per share amounted to RMB0.31, representing an increase of RMB0.01 as compared with the corresponding period of 2018.

The financial information contained in this report has been prepared in accordance with the Chinese Accounting Standards for Business Enterprises and, unless otherwise stated, is comprehensive information of the Company and its subsidiaries, which is presented in Renminbi.

PART I OVERVIEW OF COMPANY'S BUSINESS

We are a leading non-state-owned construction group in China and are principally engaged in the following businesses:

- Construction contracting business. We provide construction project contracting services mainly as a general contractor for building construction projects and infrastructure construction projects.

- Other businesses. We are also engaged in service concession arrangements, property management and other businesses.

A substantial majority of our revenue was generated from the construction contracting business, which mainly comprised of building construction business, infrastructure construction business and specialized and other construction contracting business. Our comprehensive revenue was RMB20,297 million for the first half of 2019, while that of the corresponding period of last year was RMB19,766 million. The comprehensive revenue from construction contracting business remained constant as compared with that for the first half of last year, amounting to RMB19,908 million and RMB19,332 million, respectively. Net profit was RMB568 million, representing an increase of 18.33% as compared with RMB480 million for the corresponding period of last year. New contracts were valued at RMB39,694 million, representing an increase of 4.82% as compared with RMB37,870 million for the corresponding period of last year. The value of ongoing contract backlog was RMB92,591 million, while that of the corresponding period of 2018 was RMB74,378 million, representing an increase of 24.49% as compared with the end of the last year.

New contract value (by region):

	Six months ended 30 June	
Year	**2019**	2018
RMB 100 million	**396.94**	378.70
Share of Beijing-Tianjin-Hebei	**52.18%**	59.33%
Share of other regions	**47.82%**	40.67%

New contract value (by segment):

Year	Six months ended 30 June 2019	Six months ended 30 June 2018
RMB 100 million	**396.94**	378.70
Share of building construction	**73.42%**	67.33%
Share of infrastructure construction	**17.31%**	21.81%
Share of specialized and other construction	**9.27%**	10.86%

Building Construction Business

We provide construction contracting services for residential, public works, industrial and commercial construction projects. We undertake most of such construction projects as a general contractor. As a general contractor, we undertake all main aspects of construction projects, including building construction, foundation work, curtain wall construction, building decoration and fire engineering. We are also responsible for engaging subcontractors in providing construction services and the labor force for construction projects, coordinating the works of all parties, providing the major equipment and machinery, procuring raw materials and ensuring that construction projects are carried out on schedule. For the six months ended 30 June 2019 and 30 June 2018, new contracts were valued at RMB29,144 million and RMB25,498 million, respectively, and ongoing contract backlog was RMB61,335 million as compared with RMB52,346 million for the corresponding period of 2018.

New contract value of the building construction business (by region):

Year	Six months ended 30 June 2019	Six months ended 30 June 2018
RMB 100 million	**291.44**	254.98
Share of Beijing-Tianjin-Hebei	**56.04%**	56.2%
Share of other regions	**43.96%**	43.8%

New contract value of the building construction business (by segment):

Year	Six months ended 30 June 2019	Six months ended 30 June 2018
RMB 100 million	**291.44**	254.98
Share of residential construction	**63.62%**	60.34%
Share of public building construction	**25.38%**	28.56%
Share of industrial building construction	**9.70%**	9.00%
Share of commercial building construction	**1.30%**	2.10%

Representative projects of the building construction business are as follows:

Representative projects of new contracts

No.	Name of project	Contract value (RMB100 million)	Business segment	Region
1.	Second Bid Section of Plot A, Phase II of Fancheng District Relocation Housing Urban Old Residential Renovation Project (Xiangtou Xinyue City) (樊城區棚改安置房城鎮老舊小區改造項目（襄投欣悦城）二期A地塊二標段)	4.06	Residential building	Xiangyang, Hubei
2.	Beijing New Airport Administrative Comprehensive Business Premise, Police Station, Business Premise Project (北京新機場行政綜合業務用房、派出所、業務用房工程)	6.35	Public building	Langfang, Hebei
3.	Cangzhou Evergrande Yangsheng Valley Phase I (First Bid Section) Residential Plot Main Body and Supporting Construction Project (滄州恒大養生谷首一期（1標段）住宅地塊主體及配套建設工程)	6.88	Residential building	Cangzhou, Hebei
4.	Beijing New Airport Education and Scientific Research Station Project (北京新機場教育科研基地項目)	7.17	Public building	Beijing
5.	General Contracting of Design and Construction of Songshan Lake (Ecological Park) Robot Intelligent Equipment Manufacturing Industry Accelerator (松山湖（生態園）機器人智慧裝備製造產業加速器設計施工總承包)	9.11	Industrial building	Dongguan, Guangdong
6.	First Bid Section of Phase II of Poverty Alleviation Relocation Project in Fudong New District (阜東新區易地扶貧搬遷工程二期一標段)	12.20	Residential building	Baoding, Hebei

Representative projects of construction in progress

No.	Name of project	Contract value (RMB100 million)	Business segment	Region
1.	First Bid Section of Hebei BSR Rail Transit Rolling Stock Equipment Co., Ltd. Hebei BSR Rolling Stock Manufacturing Base (河北京車軌道交通車輛裝備有限公司河北京車造車基地項目第一標段)	7.38	Industrial construction	Baoding, Hebei
2.	9 items including 24-3# residential building (Shunyi District Renhe Town Linhe Village Shanty Town Renovation Land Development B Area Project (Integration of Dongcheng Resettlement Housing)) (24-3#住宅等9項（順義區仁和鎮臨河村棚戶區改造土地開發B片區項目（對接東城安置房））)	5.57	Residential building	Beijing
3.	Phase II of Project in Changsheng Home Western District (長城家園西區二期工程)	3.99	Residential building	Baoding, Hebei
4.	Beijing New Airport Education and Scientific Research Station Project (北京新機場教育科研基地項目)	7.17	Public building	Beijing
5.	EPC General Contracting of Hangzhou Economic Technical Development Area Cultural Ancillary Housing (杭州經濟技術開發區文化配套用房EPC總承包)	5.49	Public building	Hangzhou, Zhejiang
6.	Buildings 1 to 7 and Underground Garage Project Construction for Low-voltage Distribution Switch Control Appliance Manufacturing and Development Project (低壓配電開關控制電器設備製造及研發項目1號-7號樓及地下車庫工程施工)	5.78	Commercial building	Baoding, Hebei

Representative projects of completed projects

No.	Name of project	Contract value (RMB100 million)	Business segment	Region
1.	7 items including 2# residential building (renovation project of old small communities in town) (R2 Class II residential land plots SY00-0005-6007 and 6005 project in Renhe Town Shunyi District (supplemented with "Limited Price Commercial Housing" project)) (2# 住宅樓（城鎮老舊小區改造項目）等 7 項（順義區仁和鎮SY00-0005-6007、6005地塊R2二類居住用地（配建「限價商品住房」）項目）)	1.69	Residential building	Beijing
2.	First Bid Section of Xushui Economic Development Zone Fuyang Gardens Zone C Project (徐水經濟開發區釜陽花園C區工程一標段)	2.16	Residential building	Baoding, Hebei
3.	CAAC Northern China Aviation Management Production and Operation Centre Project (民航華北空管生產運行中心工程)	2.27	Public building	Beijing
4.	Domestic Freight Station Project of Beijing New Airport China Southern Airlines Base Sixth Bid Section Freight Facilities Project (北京新機場南航基地第六標段貨運設施項目國內貨運站工程)	2.92	Public building	Langfang, Hebei
5.	Changsha IFS Underground Space Development Communities Project (九龍倉國金中心地下空間開發建設工程)	2.24	Commercial building	Changsha, Hunan
6.	Beijing Haige Communications Industrial Park Project (北京海格通信產業園工程)	4.39	Industrial building	Beijing

Infrastructure Construction Business

In addition to our core building construction business, we are also providing increasing construction contracting services for municipal and transportation infrastructure projects, including facilities for water supply and treatment, gas and heating, urban pipelines, roads, bridges and airport runways. We undertake most of such construction projects as general contractor. Our infrastructure construction customers are primarily local governments. For the six months ended 30 June 2019 and 30 June 2018, new contracts were valued at RMB6,872 million and RMB8,260 million, respectively, and for the six months ended 30 June 2019, ongoing contract backlog was RMB18,458 million as compared with RMB14,672 million for the corresponding period of 2018.

New contract value of the infrastructure construction business (by region):

	Six months ended 30 June	
Year	**2019**	2018
RMB 100 million	**68.72**	82.60
Share of Beijing-Tianjin-Hebei	**41.02%**	57.28%
Share of other regions	**58.98%**	42.72%

New contract value of the infrastructure construction business (by segment):

	Six months ended 30 June	
Year	**2019**	2018
RMB 100 million	**68.72**	82.60
Share of municipal infrastructure construction	**59.68%**	59.95%
Share of transportation infrastructure construction	**40.32%**	40.05%

Representative projects of the infrastructure construction business are as follows:

Representative projects of new contracts

No.	Name of project	Contract value *(RMB100 million)*	Business segment	Region
1.	Quinta, Ethiopia – Garsner Road Project Contract: Quinta – Kurba Segment (Km 31+500-110+740) (埃塞俄比亞昆塔－加斯納道路工程合同：昆塔－庫爾巴段(Km 31+500-110+740))	4.59	Transportation infrastructure construction	Amhara, Ethiopia
2.	EPC+F Contracting of Western China (Guangyuan) Green Home Industry Startup Zone Xinsheng Group Project (中國西部（廣元）綠色家居產業城啟動區－新勝組團項目勘察設計施工融資一體化承包(EPC+F))	16.13	Municipal infrastructure construction	Guangyuan, Sichuan
3.	General Contracting of Mozambique Saskatchewan Airport Project (Bid Section for Airfield) (援莫桑比克賽賽機場項目（飛行段標區）工程總承包任務)	2.27	Transportation infrastructure construction	Saskatchewan, Gaza Province, Mozambique
4.	Second Bid Section of Yunfu City Duyang to Yun'an Highway Connection Segment Project (RK1+545-K4+041.145, LK1+546.5-K4+041.145) (雲浮市都楊至雲安公路新建工程連接線項目第二標段(RK1+545-K4+041.145, LK1+546.5-K4+041.145))	2.31	Transportation infrastructure construction	Yunfu, Guangdong

Representative project of construction in progress

No.	Name of project	Contract value *(RMB100 million)*	Business segment	Region
1.	National Highway G102 Qinhuangdao City Segment Alteration Works (國道G102綫秦皇島市區段改建工程)	2.03	Transportation infrastructure construction	Qinhuangdao, Hebei

Representative projects of completed properties

No.	Name of project	Contract value *(RMB100 million)*	Business segment	Region
1.	Bid Section 008 of Beijing New Airport Working Area Project (Municipal Transport) – Bridge and Pipe Network Project (北京新機場工作區工程(市政交通)－道橋及管網工程008標段)	4.38	Municipal infrastructure construction	Beijing
2.	Bid Section FXQ-CD-011 of Beijing New Airport Airfield Road Project Tendering (北京新機場飛行區場道工程FXQ-CD-011標段施工招標)	5.12	Municipal infrastructure construction	Beijing

Specialized and Other Construction Contracting Business

We also undertake construction contracting projects by leveraging our qualifications and experience in specialized areas such as electrical and mechanical installation and construction of steel structures. Our electrical and mechanical installation works generally cover the supply, installation and maintenance of equipment for power plants, pipelines for heating and natural gas, as well as air-conditioning, mechanical ventilation and exhaust air systems. Steel structure construction generally refers to the building of the structural supporting elements comprising steel columns, girders and beams of a construction project. For the six months ended 30 June 2019 and 30 June 2018, new contracts were valued at RMB3,678 million and RMB4,112 million, respectively, and for the six months ended 30 June 2019, ongoing contract backlog contract value in 2019 was RMB12,798 million as compared with RMB7,360 million for the corresponding period of 2018.

New contract value of the specialized and other construction contracting business (by region):

	Six months ended 30 June	
Year	**2019**	2018
RMB 100 million	**36.78**	41.12
Share of Beijing-Tianjin-Hebei	**42.44%**	82.87%
Share of other regions	**57.56%**	17.13%

New contract value of the specialized and other construction contracting business (by segment):

	Six months ended 30 June	
Year	**2019**	2018
RMB 100 million	**36.78**	41.12
Share of electrical and mechanical installation	**24.79%**	2.00%
Share of steel structures	**16.24%**	7.63%
Share of other construction business	**58.97%**	90.37%

Representative projects of the specialized and other construction contracting business are as follows:

Representative projects of new contracts

No.	Name of project	Contract value *(RMB100 million)*	Business segment	Region
1.	EPC General Contracting of Lushui Late-maturing Mango Industry Poverty Alleviation Project (瀘水市晚熟芒果產業扶貧項目勘察設計施工總承包)	3.44	Other construction business	Lushui, Yunnan
2.	EPC General Contracting of Mechanical Critical Components Manufacturing Industrial Park of Feng County Economic Development Zone High-Tech Industrial Park Innovation and Startup Incubator Standardised Plants Construction Project (豐縣經濟開發區高新技術產業園區雙創孵化標准廠房建設項目機械製造關鍵零部件產業園設計採購施工工程總承包)	3.57	Steel Structure	Xuzhou, Jiangsu
3.	EPC General Contracting of 100 MW Photovoltaic Base Project in Yingneng Photovoltaic Power Development Co., Ltd. of Tumert Right Banner (土默特右旗英能光伏電力開發有限公司100兆瓦光伏基地項目EPC總承包)	5.20	Mechanical and electrical installation	Baotou, Inner Mongolia

PART II RESEARCH AND DEVELOPMENT ACHIEVEMENTS AND AWARDS

The Company has expanded its market to 31 provinces, municipalities and autonomous regions, as well as nearly 10 overseas countries. As of present, it has launched 22 projects and participated in 12 projects that won the Lu Ban Awards. The Company has received the "National Quality Award (全國質量獎)", "National Quality Project Award (國家優質工程獎)", "Steel Structure Gold Award (鋼結構金獎)", "Star of China Installation Award (安裝之星獎)" and "National Decoration Award (全國裝飾獎)", and was accredited for over 600 "Provincial Quality Construction (省優工程)" and more than 300 provincial or above "Safety Civilization Construction Sites (安全文明工地)".

The Company was awarded the "Second Prize of the National Science and Technology Progress Award (國家科技進步二等獎)", the "Innovation Achievement Award of the China Construction Industry Association (中國建築業協會創新成果獎)" and a large number of provincial-level science and technology achievements and patents.

Following the introduction of the performance excellence management model, the Company won the "National Quality Award (全國質量獎)" and two "Provincial Government Quality Awards (省政府質量獎)". Recognized by the MOHURD, it was one of the 20 recipients of the "National Excellent Project Quality Management Enterprise Award (全國工程質量管理優秀企業)". It also received the title of "National Model of Workers' Home (全國模範職工之家)" and the "National 1st May Labour Award (全國五一勞動獎狀)". Highlights included:

1. In the first half of 2019, the Company led or participated in the formulation of four sets of regulations, standards and rules, and was in the process of preparing 25 sets of regulations, standards and rules.

2. In the first half of 2019, 13 provincial-level scientific plans and demonstrative projects of the Company passed the acceptance assessment, four of which were among the top in China.

3. In the first half of 2019, the Company submitted 106 patent applications in China, including nine applications for invention patents, and was granted 51 patents (including three invention patents).

4. In the first half of 2019, the Company was awarded two "China Steel Structure Gold Awards (中國鋼結構金獎)" and 31 provincial-level quality construction awards.

PART III OUTLOOK

The Report of the 19th National Congress of the Communist Party of China ("NCCPC") stated that the socialism with Chinese characteristics has entered a new era. China's economy is undergoing transition from rapid growth to high quality development and is in the critical period for transformation of development mode, optimization of economic structure and switch of growth drivers. For construction industry, as the development driven by rapid scale-up gradually subsides, traditional construction industry is facing unprecedented opportunities and challenges. Under the new normal, construction industry has a crucial but long way to go for the difficult mission of reform and development.

As general working principles of 2019, the Company will uphold Xi Jinping's Thought on Socialism with Chinese Characteristics for a New Era and the idea of the 19th NCCPC, firmly support the decisions and plannings of the Party Central Committee and the State Council, and adhere to the new development concepts. By focusing on the key tasks of the year and with the goal of enhancing construction quality and safety level, the Company will actively promote green construction and smart construction, strive to support the "Belt and Road Initiative", and keep a pragmatic, enterprising and innovative mindset to support the in-depth reform and development of construction industry.

The A Share Offering and Listing plan is a major breakthrough for the Company's strategic planning in domestic financial and capital market, and we have set the A Share listing as our new goal.

Xiong'an New Area is located in Hebei Province, and as a leading player in the construction industry of Hebei Province, the Company is set to be embraced with great development opportunities from the broad market in Xiong'an New Area. We will keep in touch with the government, financial institutions, central and state-owned enterprises and major property developers to actively explore mutually beneficial cooperation opportunities.

Based on the market-oriented approach, we will fully utilize our platforms and the benefits from supportive national policies to carry out research on professional technologies critical to the Group, thereby gradually build up our own core advantages and convert them into technological methodologies and promising environmental-friendly products. In addition, we will also facilitate the Group to expand to new sectors and tender and negotiate for new professional technologies.

We will leverage on the Group's advantage in nationwide construction to find common elements in the construction drawings of different major design institutes and intensively integrate design with construction, so as to achieve collaborative operation among design, construction and procurement. Through this effort, we can carry out construction and procurement directly based on design and adjust the design based on actual situation of construction and procurement, thereby gradually develop the design institute into an engineering design and research institute.

We will strive to facilitate project planning to achieve full coverage and strengthen the process management of construction projects to effectively improve "yield from single project".

Based on the requirements of the manual for standardized management of construction projects, we will hold ourselves accountable to the users, benchmark our works against the model projects, strengthen our on-site management capability, and uphold the craftsmanship spirit of pursuing excellence to deliver quality model projects.

For in-depth integration of Internet and information technology in construction industry, we will focus on facilitating the integrative application of Building Information Modeling (BIM) to enable information sharing and informatization management throughout the project life cycle. For promotion of modern industrialized production and construction, we will put great efforts in promoting prefabricated component construction, deeply implement green construction and fully facilitate the use of green construction material, design, construction and operation.

REVENUE AND GROSS PROFIT

	Six months ended 30 June 2019				Six months ended 30 June 2018			
	Revenue (RMB100 million)	Costs (RMB100 million)	Gross profit %	Proportion %	Revenue (RMB100 million)	Costs (RMB100 million)	Gross profit %	Proportion %
Building construction business	141.24	134.13	5.0	70.9	124.62	119.47	4.1	64.5
Infrastructure construction business	36.69	34.86	5.0	18.4	50.59	47.60	5.9	26.2
Specialized and other construction contracting business	21.15	19.77	6.5	10.7	18.11	17.15	5.3	9.3
Total	199.08	188.76	5.2		193.32	184.22	4.7	

The construction business revenue for the period for the six months ended 30 June 2019 slightly increased by RMB576 million as compared with the corresponding period of 2018, of which the main reasons for the changes of each business segment are as follows:

Revenue of our building construction business for the first half of 2019 significantly increased as compared with the corresponding period of 2018. Of which, the residential building construction business as the largest segment of our building construction business in terms of revenue contribution. In recent years, due to the urbanization expansion of second and third tier cities, and as most property development projects of our Group are concentrated in second and third tier cities of mainland China, we grasped greater opportunities for development. Industrial building construction remained generally stable in the first half of 2019 as compared with the corresponding period of last year, which was mainly due to the Company's active consolidation of the business around Beijing-Tianjin-Hebei Region, and in the meantime, leveraging on its reputation upon listing, the Company strove to expand the industrial building construction business in other regions, such as Yangtze River Delta, Anhui region, etc., enabling the performance of industrial building construction to remain generally stable.

Revenue of our infrastructure construction business decreased in the first half of 2019 as compared with the corresponding period of last year, which was mainly due to the decrease in newly undertaken public construction projects of the Company since 2019.

The income of specialized and other construction business increased in the first half of 2019 as compared with the corresponding period of last year. The business mainly comprised of electrical and mechanical installation, steel structures and other construction business. Such type of projects generally have shorter cycle and can be completed within one year. The main reason for the increase was the significant increase in contracts for commencement of work in the first half of 2019.

Gross profit margin of the Group's construction revenue slightly increased in the first half of 2019 as compared with the corresponding period of 2018. As the Group has paid more attention to the quality of construction projects in recent years, the gross profit margin has increased steadily in general with increased quality projects and enhanced cost management and control.

SELLING COSTS

Selling costs of the Group were approximately RMB9 million in the first half of 2019, representing a decrease of RMB5 million as compared with the corresponding period of 2018, which was mainly due to the Group's strategic adjustment and the shrinking of property development business year by year. Accordingly, the Group reduced the employment of property sales personnel, resulting in a significant decrease in the remuneration of sales personnel incurred from real estate companies in the first half of 2019 as compared with corresponding period of 2018. In addition, the property exhibition fees and other sporadic expenses were also further reduced along with the shrinking of property business of the Group year by year.

ADMINISTRATIVE EXPENSES

Administrative expenses of the Group were RMB167 million in the first half of 2019, remaining generally stable as compared with the corresponding period of 2018.

RESEARCH AND DEVELOPMENT COSTS

Research and development costs of the Group increased by RMB35 million in the first half of 2019 as compared with the corresponding period of 2018, mainly because the Group began to set up more research and development groups since the second half of 2018 and encouraged its member companies to engage in the research and development projects. A total of 168 research and development projects were commenced by the Group in the second half of 2018, which are still in process under the investigation and research stage in 2019. Therefore, the research and development costs incurred for the period increased significantly as compared with the corresponding period of last year.

CREDIT IMPAIRMENT LOSSES

Asset impairment losses were RMB64 million from January to June 2019, which was mainly due to the Group's expectation of increasing future credit losses on accounts receivable and contract assets based on the macroeconomic situation and customer credit conditions since the second half of 2018.

INCOME TAX EXPENSES

Income tax expenses of the Group were RMB168 million from January to June 2019, representing a decrease of RMB30 million as compared with the corresponding period of 2018. The increase in pre-tax profit and the decrease in income tax expenses were mainly due to the decrease in the unrecognized deductible temporary differences and deductible losses, as well as the increase in the profit attributable to associates and the super deduction on research and development expense.

NET PROFIT

Based on the above factors, net profit of the Group for the six months ended 30 June 2019 was RMB568 million, representing an increase of approximately RMB88 million as compared with the corresponding period of last year.

LIQUIDITY, FINANCIAL SOURCES AND CAPITAL STRUCTURE

The Group finances operations primarily through cash generated from operating activities and interest-bearing borrowings. As of 30 June 2019 and 31 December 2018, the Group had cash and cash equivalents funds of approximately RMB4,189 million and approximately RMB6,688 million, respectively.

CURRENCY FUNDS

As of 30 June 2019, currency funds of the Group were RMB4,189 million, representing a decrease of RMB2,499 million as compared with the end of 2018, which was mainly due to the greater amount of net cash outflows from operating activities. Cash outflows from operating activities for project tendering and construction work were generally great in the first half of year, while the repayment from customers were not usually made during the period; the great amount of net cash outflows from investment activities included cash paid for purchasing and construction of fixed assets, intangible assets and other long-term assets and cash paid for investments.

FINANCIAL POLICY

The Group regularly monitors cash flow and cash balances. Furthermore, it is dedicated to maintaining the optimal liquidity level required for working capital and keeping its business and multiple growth strategies at a stable and healthy level during the Reporting Period. In the future, the Group intends to finance operations through cash generated from operating activities and interest-bearing borrowings.

FINANCIAL ASSETS HELD FOR TRADING

As of 30 June 2019, financial assets held for trading were RMB1,184 million, representing an increase of RMB454 million as compared with the end of 2018, the Group's bills receivable balances from the counter party increased at the end of the Reporting Period. And the Group classified the bills receivable as financial assets measured at fair value through profit or loss according to the accounting policies.

ACCOUNTS RECEIVABLE

As of 30 June 2019, the net value of accounts receivable was RMB5,708 million, representing a decrease of approximately RMB257 million as compared with the end of 2018, mainly due to the recovery of some accounts receivable from projects during the Reporting Period, resulting in an insignificant decrease.

OTHER RECEIVABLES

As of 30 June 2019, balance of other receivables of the Group was RMB2,223 million, representing a decrease of approximately RMB1,994 million, or 47%, as compared with the end of last year. Such change was mainly attributable to the greater efforts in collecting the amount of other receivables by the Group for the Reporting Period, resulting in the significant decrease in the balance of other receivables.

CONTRACT ASSETS AND CONSTRUCTION SERVICES CONTRACT LIABILITIES

The net value of contract assets as of 30 June 2019 was RMB42,585 million, representing an increase of approximately RMB3,819 million as compared with the end of 2018, which was in line with the overall progress of projects. Contract liabilities as of 30 June 2019 were RMB5,214 million, representing an increase of approximately RMB148 million as compared to the end of 2018. It was mainly due to the enhanced settlement progress of some quality projects in 2019 of the Group, resulting in the significant increase in contract liabilities as compared to last year.

SHORT-TERM BORROWINGS, LONG-TERM BORROWINGS AND NON-CURRENT LIABILITIES DUE WITHIN ONE YEAR

Short-term borrowings, long-term borrowings and non-current liabilities due within one year of the Group mainly include long-term and short-term borrowings from financial institutions, entrusted loans and lease liabilities. The balances of relevant borrowings as at 30 June 2019 increased by RMB398 million as compared with the end of 2018, mainly due to the increase in new borrowings of the Group in the first half of 2019.

ACCOUNTS PAYABLE

Accounts payable balances as at 30 June 2019 were RMB35,819 million, representing a decrease of RMB3,137 million as compared with the end of 2018, which was because the purchase amount of the Group during the second half of the year was greater than that of the first half of the year without any significant changes in the settlement rate.

FINANCIAL RATIOS

	30 June 2019	31 December 2018
Current ratio (times) [(1)]	**1.1**	1.1
Quick ratio (times) [(2)]	**1.1**	1.0
Gearing ratio [(3)]	**72.2%**	52.1%
Return on assets [(4)] (not annualized)	**0.9%**	2.0%
Return on equity [(5)] (not annualized)	**9.9%**	22.3%

Notes:

(1) Current ratio (times) represents total current assets divided by total current liabilities as at the relevant date;

(2) Quick ratio (times) represents total current assets minus inventory divided by total current liabilities as at the relevant date;

(3) Gearing ratio represents total interest-bearing liabilities divided by equity as at the relevant date and multiplied by 100%;

(4) Return on assets represents profit for the period/year divided by the average of total assets at the beginning and end of the period/year and multiplied by 100%;

(5) Return on equity represents profit for the period/year divided by the average of total equity at the beginning and end of the period/year and multiplied by 100%.

INTEREST-BEARING BANK AND OTHER BORROWINGS

As of 30 June 2019, the Group's interest-bearing borrowings were approximately RMB4,033 million (31 December 2018: approximately RMB3,635 million), bearing an effective annual interest rate ranging from 4.7% to 12.0% per annum (31 December 2018: annual interest rate ranging from 4.7% to 12.0%).

CAPITAL COMMITMENT

As at 30 June 2019, the Group did not have any significant commitments.

CONTINGENT LIABILITIES

As at 30 June 2019, the Group did not have any significant contingent liabilities.

SIGNIFICANT SALES OR DISPOSAL

Except for the Notes V.2. and V.3. of the Notes to Financial Statements in this report, the Group increased the investment in the joint venture, Qinhuangdao Yuanji Road Construction Management Co., Ltd., by RMB300 million, increased the investment in the associated company, Jianwei one-longitudinal-two-horizontal Project Management Co. Ltd, by RMB57 million.

OTHER EQUITY INSTRUMENT INVESTMENT

During the Reporting Period, the Group increased the investment in China Risun Group Limited by RMB112 million.

RMB EXCHANGE RATE FLUCTUATIONS AND EXCHANGE RISK

Most of the Group's businesses and all bank loans have been traded in RMB so there is no significant foreign exchange fluctuation risk. The Board does not expect that fluctuations in the RMB exchange rate and exchange fluctuations of other foreign currencies will have a significant impact on the Group's business or performance. The Group currently has no relevant foreign exchange risk hedging policies and therefore it has not carried out any hedging transactions to manage the potential risks of foreign currency fluctuations.

EMPLOYEE AND REMUNERATION POLICIES

As of 30 June 2019, the Group has had a total of 7,796 full-time employees (31 December 2018: 7,036). Through integrating human resources strategy and based on different job classification, the Group has established a performance and competence-oriented remuneration system and competitive remuneration standards with reference to the remuneration level of relevant enterprises in the same region and the same industry, providing effective guarantee for recruiting, retaining and motivating talents, as well as the pursuit of human resources strategy of the Company.

OTHER MATTERS

ISSUED SHARE CAPITAL

As at 30 June 2019, the total share capital of the Company was RMB1,761,383,500, divided into 1,761,383,500 Shares with a nominal value of RMB1.00 each. During the Reporting Period, there was no change in the share capital of the Company.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to achieving and maintaining a high level of corporate governance to meet business needs and shareholders' requirements.

To ensure that the Company is able to fully fulfill its obligations under the Listing Rules, the Company has established an effective corporate governance structure and is committed to continually improving its internal control and corporate governance mechanisms.

The Company also operates in strict accordance with the Articles of Association, the Working Rules of the Committees under the Board of Directors, the Company Law, and the relevant laws, regulations and regulatory documents, as well as the relevant provisions of the Hong Kong Stock Exchange, so as to do a good job in corporate information disclosure and investment relationship management and service.

During the six months ended 30 June 2019, the Company had complied with all the code provisions as set out in the Corporate Governance Code and Corporate Governance Report in Appendix 14 to the Listing Rules and had adopted most of the recommended best practices as set out in Appendix 14 to the Listing Rules.

SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the code for all Directors and Supervisors to conduct transactions of the Company's securities. The Company has made specific inquiries to all Directors and Supervisors about their compliance with the Model Code, and they all confirmed that they have complied with the standards specified in the Model Code during the six months ended 30 June 2019.

ADOPTION OF THE CHINESE ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES TO PREPARE FINANCIAL STATEMENTS, NON-REAPPOINTMENT OF OVERSEAS AUDITOR AND APPOINTMENT OF DOMESTIC AUDITOR FOR 2019 AND DETERMINATION OF ITS REMUNERATIONS

On 25 March 2019, the Board considered and approved, among other things, the proposals in respect of adoption of the Chinese Accounting Standards for Business Enterprises to prepare financial statements, ceasing to re-appoint overseas auditor and the proposal to appoint domestic auditor for 2019 and determine its remunerations. Such proposals were considered and approved as an ordinary resolution on the 2018 AGM held on 20 June 2019. Since the accounting year from 1 January 2019, the Company will change to only adopt and comply with the Chinese Accounting Standards for Business Enterprises to prepare financial statements of the Company. Therefore, the interim results of the Company for the six months ending 30 June 2019 will only be prepared in accordance with the Chinese Accounting Standards for Business Enterprises. In addition, the Company will not re-appoint Ernst & Young as the overseas auditor of the Company for the year of 2019 and will re-appoint Ernst & Young Hua Ming LLP as the Company's domestic auditor for the year of 2019. The above auditor will perform audits on the financial statements prepared by the Company in accordance with the Chinese Accounting Standards for Business Enterprises and undertake the duties of the overseas auditor in accordance with the Listing Rules for a term of office until the end of the 2019 AGM. The Board has already been authorized at the 2018 AGM and it has further authorized the president of the Company to determine the remunerations of appointment of the above-mentioned auditor. For details, please refer to the announcements of the Company dated 25 March 2019 and 20 June 2019 and the 2018 AGM circular dated 31 May 2019.

AMENDMENTS TO THE ARTICLES OF ASSOCIATION

On 25 March 2019, the Board considered and approved, among other things, the proposal in respect of amendments to the Articles of Association, which was for the amendments on the relevant articles in the Articles of Association involving the adoption of the Chinese Accounting Standards for Business Enterprises to prepare financial statements. On 30 April 2019, the Board considered and approved, among other things, the proposal in respect of amendments to the Articles of Association, which was for the amendments on the relevant articles in the Articles of Association involving business scope. The above proposals were considered and approved as special resolution at the 2018 AGM on 20 June 2019. The revised Articles of Association took effect from 20 June 2019. The whole text of the revised Articles of Association has been published on the HKEXnews website of Hong Kong Stock Exchange and the website of the Company. For details, please refer to the announcements of the Company dated 25 March 2019, 30 April 2019 and 20 June 2019, and the 2018 AGM circular dated 31 May 2019.

On 19 July 2019, the Board considered and approved, among other things, the proposal in respect of amendments to the Articles of Association. In order to prepare for the A Share Offering and Listing of the Company and render the Company to be in compliance with the requirements of listed companies regarding compliance governance and other respects, according to the requirements of relevant laws, regulations and regulatory documents, including the Company Law and the Guidelines for Articles of Association of Listed Companies (《上市公司章程指引》), the Company proposes to make modifications and improvements to certain clauses in the Articles of Association. The numbering of the clauses of the original Articles of Association is respectively amended due to the additions and deletions of some of the clauses by the proposed amendments. The revised Articles of Association will be implemented after the A Share Offering and Listing. Prior to that, the current Articles of Association of the Company shall remain in force. The resolution will be proposed as a special resolution at the 2019 second extraordinary general meeting of the Company to be held on 16 September 2019 for consideration. For details, please refer to the announcement of the Company dated 19 July 2019 and the circular of 2019 second extraordinary general meeting and 2019 first H shareholders class meeting of the Company dated 27 August 2019.

Other than the above, there was no other major changes on the Articles of Association by the Company during the Reporting Period.

CHANGE OF EXECUTIVE DIRECTOR

Ms. Liu Shuzhen resigned as an executive Director, a vice president and the chief economic officer of the Company on 8 January 2019, due to reaching her retirement age.

On 25 February 2019, as approved by the 2019 first extraordinary general meeting of the Company, Mr. Zhao Wensheng was appointed as an executive Director of the first session of the Board, with a term commencing from 25 February 2019 to the expiration of the term of the current session of the Board. Mr. Zhao Wensheng shall be eligible for re-election upon expiry of the term in accordance with the Articles of Association. For details, please refer to the circular of 2019 first extraordinary general meeting of the Company dated 14 January 2019 and the poll results of 2019 first extraordinary general meeting of the Company dated 25 February 2019.

THE EQUITY SWAP AND TRANSFER AGREEMENT AND THE ENGINEERING CONSTRUCTION SERVICE FRAMEWORK AGREEMENT

On 17 May 2019, the Company, Baoding Zhongcheng, Zhongming Zhiye and Qianqiu Management entered into the Equity Swap and Transfer Agreement, pursuant to which, the Company proposed to swap the Disposal Subject held by it with the Acquisition Subject held by Zhongming Zhiye. Meanwhile, Baoding Zhongcheng transferred the Equity Transfer Subject held by it to Qianqiu Management. The consideration shortfall between the Disposal Subject and the Equity Transfer Subject as well as the Acquisition Subject was made up by the Company in cash to Zhongming Zhiye. For details, please refer to the announcement of the Company dated 17 May 2019, the 2018 AGM circular dated 31 May 2019 and the poll results of 2018 AGM dated 20 June 2019.

On 17 May 2019, the Company and Zhongming Zhiye entered into the Engineering Construction Service Framework Agreement, pursuant to which, the Group provides engineering construction services, including but not limited to engineering procurement construction, decoration and landscape engineering, to Zhongming Zhiye and its associates in the daily business process, and Zhongming Zhiye and its associates will pay service fees to the Group. For the three years ending 31 December 2019, 2020 and 2021, the maximum annual amounts of total service fee charged by the Group for providing engineering construction services to Zhongming Zhiye and its associates shall not exceed RMB1,100 million, RMB1,200 million and RMB1,400 million, respectively. For details, please refer to the announcement of the Company dated 17 May 2019, the 2018 AGM circular dated 31 May 2019 and the poll results of 2018 AGM dated 20 June 2019.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor its subsidiaries has purchased, sold or redeemed any of its listed securities for the six months ended 30 June 2019.

DIVIDEND DISTRIBUTION

2018 Final Dividend

According to the Profit Distribution Proposal of the Company for 2018 considered and approved by the Shareholders of the Company on the 2018 AGM on 20 June 2019, the Company will distribute cash dividends out of the approximately 33% of the accumulative distributable reserve as of 31 December 2018 to Shareholders, totalling RMB528,415,050.00. The Board will distribute 2018 final dividend of RMB0.30 per share (tax inclusive) in cash to its domestic Shareholders and H Shareholders whose names appear on the register of members on Thursday, 4 July 2019. Such dividend was distributed on Thursday, 1 August 2019. For details, please refer to the 2018 AGM circular dated on 31 May 2019 and the announcements dated on 20 June 2019 and 10 July 2019.

2019 Interim Dividend

The Board has not made recommendation on the distribution of an interim dividend for the six months ended 30 June 2019.

USE OF PROCEEDS FROM THE IPO AND CHANGE OF USE

The Company was listed on the Main Board of the Hong Kong Stock Exchange on 15 December 2017. According to the Appraisal Report on the Use of Previously Raised Proceeds (An Yong Hua Ming (2019) Zhuan Zi No. 61319209_J03) issued by Ernst & Young Hua Ming LLP (the "Appraisal Report on the Use of Previously Raised Proceeds"), the Company intended to use the net proceeds (net of Stock Exchange trading fee, SFC transaction levy, registration fee and fees charged by the receiving banks) from the Company's IPO of new Shares for the purpose of its listing on the Stock Exchange and issue of new Shares upon partial exercise of the Over-allotment Option (as defined in the Prospectus) amounted to approximately HK$1,972.25 million for the proposed purposes stipulated in "Future Plan and Proceeds Purpose" in the Prospectus dated on 5 December 2017.

Reference is made to the circular of 2019 first extraordinary general meeting of the Company dated 14 January 2019 and the poll results of 2019 first extraordinary general meeting dated 25 February 2019. On 25 February 2019, the resolution in respect of the change in use of net proceeds from the Global Offering was considered and approved on the 2019 first extraordinary general meeting of the Company, including (1) the equity investment amount initially to be used under the Group's existing and future PPP projects be adjusted to be used to fund the Group's existing and future equity investment; (2) certain net proceeds initially to be used to fund the Group's equity investment commitments under existing and future PPP projects (approximately RMB157.78 million) be allocated to be used for general corporate purposes of the Group, including but not limited to payment of office rent, maintenance costs, employee costs, professional expenses and other expenses in the daily operation of the Company (the "Change"). Other than the above Changes, there is no other change in use of net proceeds from the Global Offering of the Company.

As of the end of the Reporting Period, the use of net proceeds from the Global Offering of the Company is as follows:

The use of net proceeds	**Amount of net proceeds used as at 30 June 2019**		**Remaining net proceeds as at 30 June 2019**	
	Approximate amount (RMB million)	*Approximate percentage (%)*	*Approximate amount (RMB million)*	*Approximate percentage (%)*
Proceeds used to undertake the construction of certain construction contracting projects remain to be completed	624.35	39.57	6.77	0.43
To fund the Group's existing and future equity investment commitments	313.17	19.85	160.17	10.15
To repay the principal of and interest on the Group's loans on or before their respective maturity dates	144.00	9.13	13.78	0.87
General corporate purposes	225.44	14.29	90.12	5.71
Total*	1,306.96	82.84	270.84	17.16

* The inconsistency between the sum of the amounts paid for various purposes in this table and the figures shown in the Appraisal Report on the Use of Previously Raised Proceeds is due to rounding.

* In preparing the above table, the exchange rate applied is RMB0.800 = HK$1.000, and the amount of RMB is calculated according to such exchange rate. As a result, the difference between the net value of the remaining funds in the above table and the actual amount of funds in the retained account is due to the difference between the controlling exchange rate and the actual exchange rate.

The Company confirmed that, during the Reporting Period, the aforementioned use of raised funds was in line with the use of the proceeds after the Change.

The Company strictly recycled the raised funds in accordance with the relevant requirements of the State Administration of Foreign Exchange. As at 30 June 2019, the total amount of recycling funds was HK$1,380.50 million, the total amount of recycling funds was RMB416.40 million and the proceeds from the settlement of exchange of Hong Kong dollars were approximately RMB1,126.12 million.

The Company strictly controlled the use of raised funds according to the instructions of policy documents of the State Administration of Foreign Exchange and the use of proceeds described in the Prospectus. As at 30 June 2019, the accumulative amounts of the raised funds paid for various purpose by the Company was RMB1,306.96 million. Among them, approximately RMB624.35 million was used to undertake the construction of certain construction contracting projects; approximately RMB313.17 million was used to fund the Group's existing and future equity investment; approximately RMB144.0 million was used to repay the principal of and interest on bank loans on or before the due date; and approximately RMB225.44 million was used for general corporate purposes.

Save as used above, as of 30 June 2019, the remaining funds of the Company's proceeds were approximately HK$10.55 million, RMB313.53 million and USD0.30 million had not been used, which was deposited in a special account opened by the Company in the bank.

The Company will continue to apply the aforementioned net proceeds in accordance with the development strategy, market conditions and the net proceeds after the Change. The Company expects that the remaining unused proceeds will be fully utilized on or before 31 December 2020.

PROPOSED A SHARE OFFERING AND LISTING

On 30 April 2019, the Board considered and approved, among other things, the resolution in respect of the contemplation of A Share Offering plan, pursuant to which, the Board may authorize any executive Director or Board secretary to handle matters related to the contemplated offering at his/her sole discretion. On 19 July 2019, the Board and the Board of Supervisors resolved to approve, among other things, the resolutions in respect of the proposed plan for the A Share Offering and related matters. Such resolutions will be submitted to the 2019 second extraordinary general meeting, 2019 first domestic shareholders class meeting and 2019 first H shareholders class meeting of the Company for consideration and approval, and are all subject to the market condition and the approval of the CSRC and other relevant regulatory authorities.

The further details of the proposed A Share Offering and relevant resolutions are set out in "Changes in Share Capital and Information of Shareholders" from pages 32 to 40 in this report, the announcements of the Company dated 30 April 2019 and 19 July 2019 and the circular of 2019 second extraordinary general meeting and 2019 first H shareholders class meeting of the Company dated 27 August 2019.

SUBSEQUENT EVENTS

Save as disclosed in this report, there has been no major subsequent events of the Company from 30 June 2019 to the Latest Practicable Date.

REVIEW OF INTERIM RESULTS

The members of the Audit Committee are Ms. Shen Lifeng (Chairwoman of the committee), Mr. Li Baoyuan, Mr. Cao Qingshe, Ms. Chen Xin and Mr. Chan Ngai Sang Kenny. The Audit Committee have reviewed and confirmed the Group's interim results announcement for the six months ended 30 June 2019, the 2019 interim report and the unaudited interim financial statements for the six months ended 30 June 2019 prepared in accordance with Chinese Accounting Standards for Business.

CHANGES IN SHARE CAPITAL AND INFORMATION OF SHAREHOLDERS

SHARE CAPITAL AND CHANGES IN SHARE CAPITAL

As at 30 June 2019, the total share capital of the Company was RMB1,761,383,500, divided into 1,761,383,500 Shares with a nominal value of RMB1.00 each, including 1,300,000,000 domestic shares and 461,383,500 H shares. During the Reporting Period, there was no change in the share capital of the Company.

As disclosed in the announcement of the Company dated 19 July 2019, the Board resolved to approve, among other things, the resolutions in relation to the proposed plan for the A Share Offering and related matters on 19 July 2019. Such resolutions will be proposed at the 2019 second extraordinary general meeting of the Company, the 2019 first domestic shareholders class meeting of the Company and the 2019 first H shareholders class meeting of the Company for consideration and approval. Such resolutions are subject to the necessary approval of the CSRC and other relevant regulatory authorities.

PROPOSED PLAN FOR THE A SHARE OFFERING

Due to the needs of the A Share Offering and Listing, according to the relevant laws, regulations and rules including the Company Law, the Securities Law of the PRC and the Administrative Measures on Initial Public Offering and Listing (《首次公開發行股票並上市管理辦法》), and upon negotiation with the sponsor institution(s), the proposed plan for the A Share Offering and Listing is further detailed as follows:

(1)	Type of Shares to be issued and par value	:	Renminbi ordinary shares (A Share), with a par value of RMB1.00 each
(2)	Number of A Shares to be issued	:	It is proposed that the size of the A Shares to be issued shall not exceed 25% of the total share capital of the Company upon completion of the offering, being 587,127,833 Shares. The specific number of the offering will be negotiated by the Board as authorized by the 2019 second extraordinary general meeting of the Company, the 2019 first domestic shareholders class meeting and the 2019 first H Shareholders class meeting of the Company with the sponsor institution(s) in accordance with the price consultation results and the capital needs of the investment projects to be funded by proceeds from the offering. The ultimate number of the offering shall be subject to the approval of the CSRC

(3)	Target subscribers	:	Inquiry targets who meet the requirements under the national laws and regulations and the provisions of the CSRC and other regulatory authorities, and domestic natural persons, legal persons and other investors who have maintained accounts at the SSE (other than those prohibited by the national laws and regulations). The Company shall take appropriate steps to ascertain the eligibility of the A Share subscribers and to ensure that no A Shares will be allotted and issued to its connected persons and/or their associates
(4)	Methods of offering	:	A combination of offline placement to inquiry targets and offering by way of online subscription, or any other methods as specified by the CSRC
(5)	Offer price of the Shares	:	The price range will be determined first by the Board and the sponsor institution(s) through promotion and preliminary price consultation as authorized by the 2019 second extraordinary general meeting of the Company, the 2019 first domestic shareholders class meeting and the 2019 first H shareholders class meeting of the Company, and the offer price will then be determined in accordance with laws and regulations and the relevant requirements of the CSRC In accordance with the Measures for the Administration of the Offering and Underwriting of Securities (《證券發行與承銷管理辦法》) issued by the CSRC, the issue price of A shares in the initial public offering can be determined either by way of price enquiry to offline investors, or by other legitimate and feasible methods such as direct pricing based on negotiation between the issuer and the lead underwriter(s)

In accordance with the Measures for the Administration of the Offering and Underwriting of Securities (《證券發行與承銷管理辦法》), (1) if an initial public offering of shares is to be conducted by means of direct pricing, all the shares shall be issued to online investors without carrying out offline price enquiries or placement, (2) if an initial public offering of shares is to be conducted by means of price enquiry, then once the offline investors have submitted bids, the issue price shall be determined by the issuer and the lead underwriter(s) based on the remaining bids and number of subscription applications, after excluding the portion of offer shares with the highest bids. It is also required that the excluded portion shall not be less than 10% of the total number of shares to be subscribed for by all the offline investors

According to the Company Law, shares may be issued at a price equal to or in excess of par value, but not below par value. As the par value of the A Shares proposed to be issued by the Company is RMB1.00, the issue price of the A Shares will not be lower than RMB1.00 per Share. Save as the aforesaid regulatory provision, no minimum issue price is set for the A Shares proposed to be issued

When determining the actual issue price of the A Shares, the Company will take into consideration the following factors: (i) the Company's financial results, (ii) the average Price-to-Earnings ratio (P/E ratio) of other A share listed issuers which operate in the same industry as the Company; (iii) market conditions; (iv) the trading price of the H Shares; (v) requirements under the relevant laws and regulations; and (vi) rules and policies of the relevant regulatory authorities

(6) Place of listing of the shares	:	SSE

(7)	Use of proceeds from the A Share Offering	:	The Company proposes to use the proceeds from the A Share Offering (after deduction of offering expenses) to invest in several PPP projects (amounting to approximately RMB550 million), BOT projects (amounting to approximately RMB130 million) and other projects (amounting to approximately RMB3,275 million). It is estimated that approximately RMB3,955 million in aggregate out of the proceeds will be used in such projects. In the event that the actual proceeds from the A Share Offering, after deduction of the corresponding offering expenses, are insufficient to meet the investment needs for all such projects, the Company will prioritize its investment in certain of the above projects by taking into account the urgency and materiality of each project and the shortfall shall be eased by the self-raised funds of the Company. If initial investment is required for the aforesaid investment projects to be funded by proceeds before the proceeds from the offering are available due to factors such as operational needs or market competition, the Company will initially fund the projects by way of its self-owned funds, bank loans or financing leases, etc. Once the proceeds from the offering are available, the Company will replace its initial investment of self-owned funds in relevant investment projects and/or repay bank loans and/or financing leases with the proceeds from the offering. In the event that the actual proceeds, after deduction of the corresponding offering expenses, are more than those required for the aforesaid investment projects to be funded by proceeds, the surplus will be applied to replenish the working capital of the Company through legal procedures in accordance with the national laws, regulations and the relevant requirements of the CSRC
(8)	Undertaking of offering expenses	:	All the Shares to be offered in the public offering are new Shares and all the offering expenses incurred thereof shall be borne by the Company
(9)	Underwriting method	:	Standby commitment

(10)	Conversion into a joint stock limited liability company with Shares issued and listed domestically and overseas	:	After the approval of the A Share Offering and Listing by the CSRC, the Company will apply for the conversion into a joint stock limited liability company with Shares issued and listed domestically and overseas
(11)	Valid period of the resolutions	:	The relevant resolutions of the A Share Offering and Listing shall be valid for 12 months from the date of the approval at the 2019 second extraordinary general meeting of the Company and the 2019 first domestic shareholders class meeting of the Company and the 2019 first H shareholders class meeting of the Company

For further details of the proposed A Share Offering, please see the announcement of the Company dated 19 July 2019 and the circular of the 2019 second extraordinary general meeting and the 2019 first H shareholders class meeting of the Company dated 27 August 2019.

INTERESTS AND SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES IN THE SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 June 2019, the interests and short positions of the Directors, the Supervisors and chief executives of the Company in the Shares, underlying Shares or debentures of the Company or its associated corporations (as defined in Part XV of the SFO) which were (i) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (ii) recorded in the register kept under Section 352 of the SFO; or (iii) required to be notified to the Company and the Stock Exchange pursuant to the Model Code are as follows:

INTERESTS AND SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES IN THE SHARES OF THE COMPANY

Name of the Directors, Supervisors and chief executives	Capacity	Number of Shares interested	Class of Shares	Nature of interest	Approximate percentage of shareholding in the relevant class of Shares as at 30 June 2019	Approximate percentage of shareholding in the total issued share capital of the Company as at 30 June 2019
Mr. Li Baoyuan[1]	Interest in controlled corporation	1,300,000,000	Domestic Shares	Long position	100%	73.8%

Notes:

1. On 30 June 2019, Qianbao Investment directly holds 7.5% of the equity interests in the Company and 43.63% of the equity interests in Zhongru Investment. In addition, each of the 119 individuals holding in aggregate the remaining 56.37% of the equity interests in Zhongru Investment has respectively undertaken that they have followed since the establishment of Zhongru Investment or when each of them became a shareholder of Zhongru Investment, and will continue to follow Qianbao Investment in exercising their voting powers at shareholders' general meetings of Zhongru Investment and all other rights of shareholders of Zhongru Investment. Therefore, Qianbao Investment is deemed to be interested in 100% of the equity interests in Zhongru Investment and thus be interested in the 1,202,500,000 Shares held by Zhongru Investment for the purpose of Part XV of the SFO.

2. On 30 June 2019, Mr. Li Baoyuan directly holds 90% of the equity interests in Qianbao Investment, which is deemed to be directly and indirectly holding 100% of the equity interests in Zhongru Investment and directly holding 7.5% of the equity interests in the Company. Therefore, Mr. Li Baoyuan is deemed to be interested in 100% of the equity interests, or 231,000,000 shares, in Zhongru Investment and thus be interested in the 1,300,000,000 Shares directly or indirectly held by Qianbao Investment for the purpose of Part XV of the SFO.

INTERESTS AND SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES IN THE SHARES OF ASSOCIATED CORPORATIONS OF THE COMPANY

Name of the Directors, Supervisors and chief executives	Name of associated corporation	Capacity	Number and class of shares interested	Nature of interest	Approximate percentage of issued share capital of associated corporation as at 30 June 2019
Mr. Li Baoyuan[1]	Qianbao Investment[2]	Beneficial owner	45,000,000 shares	Long position	90%
	Zhongru Investment[3]	Interest in controlled corporation	231,000,000 shares	Long position	100%
Mr. Li Baozhong	Qianbao Investment[2]	Beneficial owner	5,000,000 shares	Long position	10%
Mr. Cao Qingshe	Zhongru Investment[3]	Beneficial owner	5,000,000 shares	Long position	2.16%
Mr. Shang Jinfeng	Zhongru Investment[3]	Beneficial owner	1,000,000 shares	Long position	0.43%
Mr. Zhao Wensheng	Zhongru Investment[3]	Beneficial owner	1,000,000 shares	Long position	0.43%
Mr. Liu Yongjian	Zhongru Investment[3]	Beneficial owner	2,000,000 shares	Long position	0.86%
Mr. Yu Xuefeng	Zhongru Investment[3]	Beneficial owner	1,000,000 shares	Long position	0.43%
Mr. Liu Jingqiao	Zhongru Investment[3]	Beneficial owner	498,960 shares	Long position	0.22%
Mr. Yue Jianming	Zhongru Investment[3]	Beneficial owner	498,960 shares	Long position	0.22%

Notes:

1. On 30 June 2019, Mr. Li Baoyuan directly holds 90% of the equity interests in Qianbao Investment, and Qianbao Investment directly holds 43.63% of the equity interests in Zhongru Investment. In addition, each of the 119 individuals holding in aggregate the remaining 56.37% of the equity interests in Zhongru Investment has respectively undertaken that they have followed since the establishment of Zhongru Investment or when each of them became a shareholder of Zhongru Investment, and will continue to follow Qianbao Investment in exercising their voting powers at shareholders' general meeting of Zhongru Investment and all other rights of shareholders of Zhongru Investment. Therefore, Mr. Li Baoyuan (through Qianbao Investment) is deemed to be interested in 100% of the equity interests, or 231,000,000 shares, in Zhongru Investment.

2. As at 30 June 2019, the total share capital of Qianbao Investment is 50,000,000 shares.

3. As at 30 June 2019, the total share capital of Zhongru Investment is 231,000,000 shares.

Save as disclosed above, so far as any Directors, Supervisors or chief executives of the Company are aware, as at 30 June 2019, none of the Directors, Supervisors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (as defined in Part XV of the SFO) which were (i) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (ii) recorded in the register kept under Section 352 of the SFO; or (iii) required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

RIGHTS OF DIRECTORS AND SUPERVISORS TO ACQUIRE SHARES OR DEBENTURES

As at 30 June 2019, none of the Directors or Supervisors or their respective spouses or children under the age of 18 was granted any rights to acquire benefits by means of acquisition of Shares or debentures of the Company, nor exercised any such rights. The Company or any of its subsidiaries did not make any arrangement to enable the Directors, Supervisors or their respective spouses or children under the age of 18 to acquire such rights from any other body corporate.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2019, the following persons (not being the Directors, Supervisors or chief executives of the Company) had interests or short positions in the Shares or underlying Shares of the Company which would be required to be recorded in the register under Section 336 of the SFO:

Name of Shareholder	Capacity	Number of Shares interested	Class of Shares	Nature of interest	Approximate percentage of shareholding in the relevant class of Shares as at 30 June 2019	Approximate percentage of shareholding in total issued share capital of the Company as at 30 June 2019
Zhongru Investment	Beneficial owner	1,202,500,000	Domestic Shares	Long position	92.50%	68.27%
Qianbao Investment[1]	Interest in controlled corporation	1,202,500,000	Domestic Shares	Long position	92.50%	68.27%
	Beneficial owner	97,500,000	Domestic Shares	Long position	7.50%	5.53%
Hwabao Trust Co., Ltd	Trustee	79,294,500	H Shares	Long position	17.18%	4.50%
Juli Group	Beneficial owner	68,107,000	H Shares	Long position	14.76%	3.86%
King Pak Fu[2]	Interest in controlled corporation	36,608,000	H Shares	Long position	7.93%	2.07%

Notes:

1. On 30 June 2019, Qianbao Investment directly holds 7.5% of the equity interests in the Company and 43.63% of the equity interests in Zhongru Investment. In addition, each of the 119 individuals holding in aggregate the remaining 56.37% of the equity interests in Zhongru Investment has respectively undertaken that they have followed since the establishment of Zhongru Investment or when each of them became a shareholder of Zhongru Investment, and will continue to follow Qianbao Investment in exercising their voting powers at general meetings of Zhongru Investment and all other rights of shareholders of Zhongru Investment. Therefore, Qianbao Investment is deemed to be interested in 100% of the equity interests in Zhongru Investment and thus be interested in the 1,202,500,000 Domestic Shares held by Zhongru Investment for the purpose of Part XV of the SFO.

2. According to the disclosure of interest notice submitted by Mr. King Pak Fu for filing on 13 March 2018, Mr. King Pak Fu holds the equity interests in an aggregate of 36,608,000 H Shares through its controlled corporation, including: (i) 23,167,000 Shares held through Sino Wealthy Limited in which he is deemed to indirectly hold 100% of the equity interests; and (ii) 13,441,000 held through Swift Fortune Investments Limited in which he is deemed to indirectly hold 100% of the equity interests.

INFORMATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

INFORMATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

As of the Latest Practicable Date, the composition of the Board of Directors, the Board of Supervisors and senior management of the Company is as follows:

The Board of Directors has 10 Directors, including: 4 executive Directors, namely Mr. Li Baozhong, Mr. Shang Jinfeng, Ms. Liu Yongjian and Mr. Zhao Wensheng; 2 non-executive Directors, namely Mr. Li Baoyuan and Mr. Cao Qingshe; and 4 independent non-executive Directors, namely Mr. Xiao Xuwen, Ms. Shen Lifeng, Ms. Chen Xin and Mr. Chan Ngai Sang Kenny.

The Board of Supervisors has 5 Supervisors, including: 3 shareholder Supervisors, namely Mr. Yu Xuefeng, Ms. Feng Xiujian and Mr. Wang Feng; and 2 employee Supervisors, namely Mr. Liu Jingqiao and Mr. Yue Jianming.

The Company has a total of 6 members of senior management, namely Mr. Shang Jinfeng (executive Director and President), Mr. Liu Yongjian (executive Director and Vice President), Mr. Zhao Wensheng (executive Director, Chief Accountant and Director of Finance), Mr. Gao Qiuli (Vice President and Chief Engineer), Mr. Zhang Wenzhong (Chief Economic Officer) and Mr. Li Wutie (Board Secretary and Assistant to the President).

There is no change in the information of Directors and Supervisors of the Company that is required to be disclosed pursuant to the provisions of Rule 13.51B (1) of the Listing Rules.

CHANGE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Change of Directors

Since 8 January 2019, Ms. Liu Shuzhen has resigned as an executive Director of the first session of the Board of Directors, Vice President and Chief Economic Officer of the Company due to reaching her retirement age.

On 25 February 2019, Mr. Zhao Wensheng was appointed as an executive Director of the first session of the Board of Directors at the 2019 first extraordinary general meeting of the Company, whose term of office commences on 25 February 2019 and ends on the expiration of the term of the current session of the Board, Mr. Zhao Wensheng is eligible for re-election upon expiry of the term in accordance with the Articles of Association.

On 19 July 2019, the Board resolved to approve the establishment of the Strategic Committee under the Board and Mr. Li Baozhong was appointed as the chairman of the Strategic Committee, and Mr. Cao Qingshe and Mr. Shang Jinfeng were appointed as members of the Strategic Committee; Ms. Chen Xin was appointed as the chairwoman of the Nomination Committee under the Board and Mr. Li Baozhong, Mr. Shang Jinfeng, Ms. Shen Lifeng and Mr. Chan Ngai Sang Kenny were appointed as members of the Nomination Committee; the above-mentioned establishment and adjustment are effective from the date of approval by the Board.

Change of Supervisors

During the Reporting Period, there was no change of Supervisors.

Change of Senior Management

Ms. Liu Shuzhen has resigned as an executive Director, Vice President and Chief Economic Officer since 8 January 2019.

With the approval from the Company at the 35th meeting of the first session of the Board held on 8 January 2019, Mr. Zhang Wenzhong was appointed as the Chief Economic Officer of the Company since 8 January 2019.

INTERIM CONSOLIDATED BALANCE SHEET (UNAUDITED)

30 June 2019

Assets	Note VI	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Restated)
Current assets			
Currency funds	1	**4,188,668**	6,688,178
Financial assets held for trading		**1,184,235**	729,586
Trade receivable	2	**5,707,721**	5,964,567
Prepayments	3	**1,319,749**	1,364,650
Other receivables	4	**2,223,354**	4,217,412
Inventories		**123,389**	2,172,183
Contract assets	5	**41,809,674**	38,022,158
Other current assets	6	**87,248**	115,337
Total current assets		**56,644,038**	59,274,071
Non-current assets			
Contract assets	5	**775,769**	743,494
Long-term equity investments	7	**405,757**	747,066
Other equity instrument investments	8	**771,885**	569,700
Investment property		**137,220**	137,402
Fixed assets	9	**356,307**	375,739
Construction in progress		**23,865**	236,514
Right-of-use assets	10	**43,652**	–
Intangible assets		**36,096**	36,495
Deferred tax assets		**258,459**	319,908
Total non-current assets		**2,809,010**	3,166,318
Total assets		**59,453,048**	62,440,389

Liabilities and shareholders' equity	*Note VI*	**30 June 2019 *RMB'000* (Unaudited)**	31 December 2018 *RMB'000* (Restated)
Current liabilities			
Short-term borrowings	*13*	**1,736,670**	1,635,770
Bills payable		**285,855**	217,213
Trade payable	*14*	**35,818,652**	38,956,411
Contract liabilities		**5,213,848**	5,065,956
Employee benefits payable		**122,660**	154,178
Taxes payable		**596,897**	795,917
Other payables		**4,900,875**	4,949,029
Non-current liabilities due within one year		**291,159**	526,000
Other current liabilities	*15*	**2,842,875**	2,734,120
Total current liabilities		**51,809,491**	55,034,594
Non-current liabilities			
Long-term borrowings	*16*	**2,013,294**	1,473,450
Lease liabilities	*17*	**29,894**	–
Total non-current liabilities		**2,043,188**	1,473,450
Total liabilities		**53,852,679**	56,508,044

Liabilities and shareholders' equity	*Note VI*	**30 June 2019** *RMB'000* **(Unaudited)**	31 December 2018 *RMB'000* (Restated)
Shareholder's equity			
Share capital	*18*	**1,761,384**	1,761,384
Capital reserve	*19*	**1,557,827**	1,586,932
Other comprehensive income		**127,155**	60,900
Surplus reserve		**295,246**	295,246
Retained profit	*20*	**1,665,998**	1,702,029
Total equity attributable to shareholders of the parent		**5,407,610**	5,406,491
Minority interests		**192,759**	525,854
Total shareholders' equity		**5,600,369**	5,932,345
Total liabilities and shareholders' equity		**59,453,048**	62,440,389

The financial statements have been signed by:

Legal Representative: *Principal in charge of accounting:* *Head of accounting department:*

The notes form an integral part of these financial statements

INTERIM CONSOLIDATED INCOME STATEMENT (UNAUDITED)

January to June 2019

	Note VI	**January to June 2019 RMB'000 (Unaudited)**	January to June 2018 RMB'000 (Restated)
Operating revenue	21	**20,297,154**	19,766,016
Less: Operating costs		**19,191,379**	18,750,516
Taxes and surcharges		**51,731**	58,891
Selling costs		**9,084**	14,179
Administrative expenses		**166,996**	177,331
Research and development costs		**47,884**	13,409
Finance expenses	22	**46,436**	45,987
Including: Interest expenses		**123,388**	123,060
Interest income		**81,472**	109,683
Add: Other income		**207**	–
Investment income	23	**28,590**	3,461
Including: Gains/(losses) on investments in joint ventures and associates		**10,054**	(24,383)
(Losses)/gains from changes in fair values		**(7,994)**	907
Credit impairment losses	24	**(64,249)**	(31,567)
Operating profit		**740,198**	678,504
Add: Non-operating income		**301**	1,202
Less: Non-operating expenses		**4,153**	1,916
Total profit		**736,346**	677,790
Less: Income tax expenses	25	**168,207**	197,700
Net profit		**568,139**	480,090

	Note VI	**January to June 2019 RMB'000 (Unaudited)**	January to June 2018 RMB'000 (Restated)
Including: Net profit/(loss) of the party being acquired prior to business combination under common control		**37,906**	(31,801)
Classified by business continuity			
Net profit from continuing operations		**530,248**	782,305
Net profit/(loss) from discontinued operations		**37,891**	(302,215)
Classified by ownership of the equity			
Net profit attributable to shareholders of the parent		**553,222**	528,400
Minority interests		**14,917**	(48,310)
Other comprehensive income, net of tax		**66,255**	45,525
Other comprehensive income attributable to shareholders of the parent, net of tax		**66,255**	45,525
Other comprehensive income that cannot be reclassified to profit or loss			
Changes in fair value of other equity instrument investments		**66,255**	45,525
Total comprehensive income		**634,394**	525,615
Including:			
Total comprehensive income attributable to shareholders of the parent		**619,477**	573,925
Total comprehensive income/(loss) attributable to minority shareholders		**14,917**	(48,310)
Earnings per share (RMB/share)			
Basic and diluted earnings per share	26	**0.31**	0.30

The notes form an integral part of these financial statements

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)

January to June 2019

January to June 2019 (Unaudited)

	Attributable to shareholders of the parent								
	Share capital *RMB'000*	Capital reserve *RMB'000*	Other comprehensive income *RMB'000*	Special reserve *RMB'000*	Surplus reserve *RMB'000*	Retained profit *RMB'000*	Subtotal *RMB'000*	Minority interests *RMB'000*	Total shareholders' equity *RMB'000*
I. Closing balance of the previous year	1,761,384	1,462,156	60,900	-	267,706	1,625,641	5,177,787	510,606	5,688,393
Add: Business combinations under common control *(Note V-3)*	-	124,776	-	-	27,540	76,388	228,704	15,248	243,952
Effects of the first application of new leases standard	-	-	-	-	-	(838)	(838)	-	(838)
II. Opening balance of the period	1,761,384	1,586,932	60,900	-	295,246	1,701,191	5,405,653	525,854	5,931,507
III. Changes for the period									
(I) Total comprehensive income	-	-	66,255	-	-	553,222	619,477	14,917	634,394
(II) Capital contribution and reduction by shareholders									
1. Capital contribution by minority shareholders	-	-	-	-	-	-	-	5,475	5,475
2. Business combination under common control and the effect of disposal of discontinued operations *(Note V-2 and V-3)*	-	(29,105)	-	-	-	-	(29,105)	(353,487)	(382,592)
(III) Profit distribution									
1. Appropriation to surplus reserve	-	-	-	-	-	-	-	-	-
2. Distribution to shareholders	-	-	-	-	-	(588,415)	(588,415)	-	(588,415)
(IV) Special reserve									
1. Appropriation for the period	-	-	-	389,525	-	-	389,525	-	389,525
2. Use in the period	-	-	-	(389,525)	-	-	(389,525)	-	(389,525)
IV. Closing balance of the period	1,761,384	1,557,827	127,155	-	295,246	1,665,998	5,407,610	192,759	5,600,369

The notes form an integral part of these financial statements

January to June 2018 (Restated)

	Attributable to shareholders of the parent								
	Share capital	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Retained profit	Subtotal	Minority interests	Total shareholders' equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
I. Closing balance of the previous year	1,733,334	1,388,526	-	-	174,557	606,270	3,902,687	408,622	4,311,309
Add: Business combinations under common control *(Note V-3)*	-	124,776	-	-	21,662	40,747	187,185	20,400	207,585
II. Opening balance of the period	1,733,334	1,513,302	-	-	196,219	647,017	4,089,872	429,022	4,518,894
III. Changes for the period									
(I) Total comprehensive income	-	-	45,525	-	-	528,400	573,925	(48,310)	525,615
(II) Capital contribution and reduction by shareholders									
1. Issuances of H shares in over-allotment	28,050	73,630	-	-	-	-	101,680	-	101,680
2. Capital injection by minority shareholders	-	-	-	-	-	-	-	50,000	50,000
(III) Profit distribution									
1. Appropriation to surplus reserve	-	-	-	-	-	-	-	-	-
(IV) Special reserve									
1. Appropriation for the period	-	-	-	375,662	-	-	375,662	-	375,662
2. Use in the period	-	-	-	(375,662)	-	-	(375,662)	-	(375,662)
IV. Closing balance of the period	1,761,384	1,586,932	45,525	-	196,219	1,175,417	4,765,477	430,712	5,196,189

The notes form an integral part of these financial statements

INTERIM CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

January to June 2019

	Note VI	January to June 2019 RMB'000 (Unaudited)	January to June 2018 RMB'000 (Restated)
I. CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from sales of goods or rendering of services		**17,173,747**	15,013,138
Other cash receipts related to operating activities		**690,540**	1,246,118
Subtotal of cash inflows from operating activities		**17,864,287**	16,259,256
Cash paid for goods and services		**(18,759,166)**	(14,614,099)
Cash paid to and for employees		**(327,847)**	(338,715)
Taxes paid		**(355,622)**	(297,011)
Other cash payments related to operating activities		**(112,688)**	(1,895,996)
Subtotal of cash outflows from operating activities		**(19,555,323)**	(17,145,821)
Net cash flows used in operating activities	27	**(1,691,036)**	(886,565)
II. CASH FLOWS FROM INVESTING ACTIVITIES:			
Cash received from return of investment		**4,500**	–
Cash received from investment income		**91,984**	137,527
Net cash received from disposal of fixed assets other long-term assets		**755**	2,191
Net cash received from disposal of subsidiaries and other business units		**-**	150,000
Other cash receipts related to investing activities		**58,235**	–
Subtotal of cash inflows from investing activities		**155,474**	289,718
Cash paid for the purchase and construction of fixed assets, intangible assets and other long-term assets		**(48,700)**	(151,166)
Cash paid to acquire investments		**(416,625)**	(20,000)
Net cash received from disposal of subsidiaries and other business units		**(282,671)**	–
Subtotal of cash outflows from investing activities		**(747,996)**	(171,166)
Net cash flows (used in)/from investing activities		**(592,522)**	118,552

	Note VI	**January to June 2019 RMB'000 (Unaudited)**	January to June 2018 RMB'000 (Restated)
III. CASH FLOWS FROM FINANCING ACTIVITIES:			
Cash received from capital contributions		**5,475**	142,615
Including: Cash received from minority shareholders' capital contributions to subsidiaries		**5,475**	50,000
Cash received from borrowings		**2,348,848**	1,189,609
Other cash receipts related to financing activities		**472,835**	–
Subtotal of cash inflows from financing activities		**2,827,158**	1,332,224
Cash paid for repayments of debts		**(2,117,326)**	(861,659)
Cash paid for distribution of dividends, profits or interest repayment		**(182,524)**	(123,060)
Other cash payments related to financing activities		**(115,000)**	(478,144)
Subtotal of cash outflows from financing activities		**(2,414,850)**	(1,462,863)
Net cash flows from financing activities		**412,308**	(130,639)
IV. EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**(4,520)**	–
V. NET DECREASE IN CASH AND CASH EQUIVALENTS		**(1,875,770)**	(898,652)
Add: Opening balance of cash and cash equivalents		**6,011,066**	5,406,814
VI. CLOSING BALANCE OF CASH AND CASH EQUIVALENTS	28	**4,135,296**	4,508,162

The notes form an integral part of these financial statements

COMPANY BALANCE SHEET (UNAUDITED)

30 June 2019

Assets	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000
Current assets		
Currency funds	**3,268,055**	5,140,692
Financial assets held for trading	**871,441**	543,448
Trade receivable	**3,876,659**	3,874,218
Prepayments	**828,961**	830,842
Other receivables	**1,610,112**	697,658
Inventories	**72,401**	32,059
Contract assets	**34,083,543**	29,139,949
Other current assets	**25,223**	15,800
Total current assets	**44,636,395**	40,274,666
Non-current assets		
Long-term equity investments	**2,301,791**	1,744,139
Other equity instrument investments	**769,927**	569,700
Investment property	**137,220**	137,402
Fixed assets	**127,337**	134,650
Construction in progress	**14,950**	15,690
Right-of-use assets	**23,192**	–
Intangible assets	**674**	674
Deferred tax assets	**121,618**	154,616
Total non-current assets	**3,496,709**	2,756,871
Total assets	**48,133,104**	43,031,537

Liabilities and shareholders' equity	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000
Current liabilities		
Short-term borrowings	1,391,670	1,275,770
Bills payable	157,463	25,012
Trade payable	28,352,346	25,089,615
Contract liabilities	4,105,871	3,303,974
Employee benefits payable	42,913	49,986
Taxes payable	416,591	510,000
Other payables	4,992,339	4,745,294
Non-current liabilities due within one year	55,409	174,000
Other current liabilities	2,353,554	2,254,354
Total current liabilities	41,868,156	37,428,005
Non-current liabilities		
Long-term borrowings	1,305,464	570,000
Lease liabilities	16,743	–
Total non-current liabilities	1,322,207	570,000
Total liabilities	43,190,363	37,998,005
Shareholders' equity		
Share capital	1,761,384	1,761,384
Capital reserve	1,381,379	1,462,156
Other comprehensive income	127,155	60,900
Surplus reserve	131,414	131,414
Retained profit	1,541,409	1,617,678
Total shareholders' equity	4,942,741	5,033,532
Total liabilities and shareholders' equity	48,133,104	43,031,537

The notes form an integral part of these financial statements

COMPANY INCOME STATEMENT (UNAUDITED)

January to June 2019

	January to June 2019 RMB'000 (Unaudited)	January to June 2018 RMB'000
Operating revenue	**16,213,130**	14,914,701
Less: Operating costs	**15,489,871**	14,249,443
Taxes and surcharges	**33,326**	29,906
Selling costs	**684**	557
Administrative expenses	**108,205**	130,898
Research and development costs	**33,626**	11,153
Finance expenses	**(730)**	(161,662)
Including: Interest expenses	**120,665**	48,076
Interest income	**125,915**	242,348
Add: Other income	**200**	–
Investment income	**17,801**	27,844
Including: Losses on investments in joint ventures and associates	**(699)**	–
(Losses)/gains from changes in fair values	**(4,583)**	907
Credit impairment gains/(losses)	**20,995**	(22,775)
Operating profit	**582,561**	660,382
Add: Non-operating income	**9,492**	73,014
Less: Non-operating expenses	**341**	1,494
Total profit	**591,712**	731,902
Less: Income tax expenses	**137,684**	176,232
Net profit	**454,028**	555,670
Other comprehensive income, net of tax	**66,255**	45,525
Other comprehensive income that cannot be reclassified to profit or loss		
Changes in fair value of other equity instrument investments	**66,255**	45,525
Total comprehensive income	**520,283**	601,195

The notes form an integral part of these financial statements

COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)

January to June 2019

January to June 2019 (Unaudited)

	Share capital RMB'000	Capital reserve RMB'000	Other comprehensive income RMB'000	Special reserve RMB'000	Surplus reserve RMB'000	Retained profit RMB'000	Total shareholders' equity RMB'000
I. Closing balance of the previous year	1,761,384	1,462,156	60,900	-	131,414	1,617,678	5,033,532
Add: Changes in accounting policies	-	-	-	-	-	(1,882)	(1,882)
II. Opening balance of the period	1,761,384	1,462,156	60,900	-	131,414	1,615,796	5,031,650
III. Changes for the year							
(I) Total comprehensive income	-	-	66,255	-	-	454,028	520,283
(II) Capital contribution and reduction by shareholders							
1. Effects of business combination under common control and the effect of disposal of discontinued operations	-	(80,777)	-	-	-	-	(80,777)
(III) Profit distribution							
1. Appropriation to surplus reserve	-	-	-	-	-	(528,415)	(528,415)
(IV) Special reserve							
1. Appropriation for the period	-	-	-	325,676	-	-	325,676
2. Use in the period	-	-	-	(325,676)	-	-	(325,676)
IV. Closing balance of the period	1,761,384	1,381,379	127,155	-	131,414	1,541,409	4,942,741

The notes form an integral part of these financial statements

January to June 2018

	Share capital RMB'000	Capital reserve RMB'000	Other comprehensive income RMB'000	Special reserve RMB'000	Surplus reserve RMB'000	Retained profit RMB'000	Total shareholders' equity RMB'000
I. Closing balance of the previous year	1,733,334	1,388,526	-	-	74,533	743,350	3,939,743
II. Changes for the period							
(I) Total comprehensive income	-	-	45,525	-	-	555,670	601,195
(II) Capital contribution and reduction by shareholders							
1. Issuances of H shares in over-allotment	28,050	73,630	-	-	-	-	101,680
(III) Special reserve							
1. Appropriation for the period	-	-	-	297,696	-	-	297,696
2. Use in the period	-	-	-	(297,696)	-	-	(297,696)
III. Closing balance of the period	1,761,384	1,462,156	45,525	-	74,533	1,299,020	4,642,618

The notes form an integral part of these financial statements

COMPANY CASH FLOW STATEMENT (UNAUDITED)

January to June 2019

		January to June 2019 RMB'000 (Unaudited)	January to June 2018 RMB'000
I.	**CASH FLOWS FROM OPERATING ACTIVITIES:**		
	Cash received from sales of goods or rendering of services	**11,895,965**	10,604,075
	Other cash receipts related to operating activities	**513,997**	478,569
	Subtotal of cash inflows from operating activities	**12,409,962**	11,082,644
	Cash paid for goods and services	**(11,944,554)**	(10,266,825)
	Cash paid to and for employees	**(259,696)**	(159,414)
	Taxes paid	**(262,930)**	(211,226)
	Other cash payments related to operating activities	**(1,285,320)**	(1,481,135)
	Subtotal of cash outflows from operating activities	**(13,752,500)**	(12,118,600)
	Net cash flows used in operating activities	**(1,342,538)**	(1,035,956)
II.	**CASH FLOWS FROM INVESTING ACTIVITIES:**		
	Cash received from investment income	**144,415**	270,192
	Net cash received from disposal of fixed assets, intangible assets and other long-term assets	**195**	3,997
	Other cash receipts related to investing activities	**58,235**	–
	Subtotal of cash inflows from investing activities	**202,845**	274,189
	Cash paid for the purchase and construction of fixed assets, intangible assets and other long-term assets	**(8,328)**	(23,642)
	Cash paid to acquire investments	**(692,638)**	(77,708)
	Cash paid relating to other investing activities	**(23,400)**	(1,002,384)
	Subtotal of cash outflows from investing activities	**(724,366)**	(1,103,734)
	Net cash flows used in investing activities	**(521,521)**	(829,545)

COMPANY CASH FLOW STATEMENT (UNAUDITED)

January to June 2019

	January to June 2019 *RMB'000* (Unaudited)	January to June 2018 *RMB'000*
III. CASH FLOWS FROM FINANCING ACTIVITIES:		
Cash received from capital contributions	-	92,615
Cash received from borrowings	1,125,900	512,634
Other cash receipts related to financing activities	472,835	–
Subtotal of cash inflows from financing activities	1,598,735	605,249
Cash paid for repayments of debts	(1,137,100)	(113,382)
Cash paid for distribution of dividends, profits or interest repayment	(119,661)	(48,076)
Other cash payments related to financing activities	(115,000)	(478,144)
Subtotal of cash outflows from financing activities	(1,371,761)	(639,602)
Net cash flows from/(used in) financing activities	226,974	(34,353)
IV. EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(4,520)	–
V. NET INCREASE IN CASH AND CASH EQUIVALENTS	(1,641,605)	(1,899,854)
Add: Opening balance of cash and cash equivalents	4,861,499	4,461,269
VI. CLOSING BALANCE OF CASH AND CASH EQUIVALENTS	3,219,894	2,561,415

The notes form an integral part of these financial statements

I. BASIC INFORMATION

Hebei Construction Group Co., Ltd. (河北建設集團有限公司), the predecessor of Hebei Construction Group Corporation Limited (the "Company"), was established on 29 September 1997 with the approval of the People's Government of Baoding City. It was established by state-owned enterprise restructuring of certain state-owned assets and legal entities of No. 1 Construction Engineering Company of Hebei Province (河北省第一建築工程公司), which had 50 years of history, as well as merging of Architectural Design Institute, legal entities, Baoding Furnace Plant and Baoding Concrete Pipe Plant. On April 7, 2017, the Company completed the shareholding system reform, converted into a joint stock company and renamed as "Hebei Construction Group Corporation Limited". The registered address of the Company is No.125 Lugang Road, Baoding, Hebei Province, and the legal representative is Li Baozhong. The Company does not have a fixed business term.

Upon the proposal by the Board of Directors of the Company and approval by the general meeting, and according to the Reply on the Approval of Issuance of Overseas-Listed Foreign-Invested Shares by Hebei Construction Group Corporation Limited (Zheng Jian Xu Ke [2017] No. 2056) (證監許可[2017]2056號文《關於核准河北建設集團股份有限公司發行境外上市外資股的批覆》) from CSRC, the Company completed the initial issue of 433,334,000 overseas-listed foreign-invested shares (H shares) to overseas investors. Over-allotment option was exercised on 5 January 2018 and issued 28,049,500 additional overseas-listed foreign-invested shares (H shares), and a total of 461,383,500 H shares were issued, with a nominal value of RMB1.00 each. The H shares were verified by Zhonghingcai Guanghua Certified Public Accountants LLP with the capital verification report of Zhonghingcai Guanghua Yan Zi (2019) No. 309003. The registered capital of the Company increased to RMB1,761,383,500 after the initial issue of H shares.

I. BASIC INFORMATION (Continued)

The major operating activities of the Company and its subsidiaries (hereinafter referred to as the "Group") are: general contracting of construction works and property development and operations. The Company currently possesses special-grade qualification for national building construction project general contracting, and is one of the 43 enterprises with special-grade qualification for national building construction project general contracting. It also possesses first-grade general contracting for road construction, first-grade qualifications for general contracting for municipal public engineering construction, first-grade general contracting for electrical and mechanical installation construction, first-grade professional contracting for road pavement construction, first-grade professional contracting for road subgrade construction, first-grade professional contracting for pipeline construction, first-grade qualification for professional airport runway construction contracting, first-grade professional contracting for steel structure construction, third-grade general contracting for water resources and hydropower construction (interim) and contracting for international construction and qualification for dispatch of work force to overseas. The Company and each of its subsidiaries mainly engage in projects of building construction, municipal and public construction, electrical and mechanical installation, road construction, railway construction, port and waterways construction, water resources and hydropower construction, subgrade and pavement construction, steel structure construction, airport runway construction etc.

Zhongru Investment Co., Ltd. (incorporated in the PRC) is the parent company and ultimate parent company of the Group.

The financial statements were approved and authorised for issue by the Board of Directors of the Company on 29 August 2019.

The consolidation scope of the financial statements is determined on the basis of control. For changes during the period, please refer to Note V.

II. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The Company used to adopt the International Financial Reporting Standards in preparing financial statements for information disclosure at the Hong Kong Stock Exchange. In accordance with the Consultation Conclusions on Acceptance of Mainland Accounting and Auditing Standards and Mainland Audit Firms for Mainland Incorporated Companies Listed in Hong Kong, which was published by the Hong Kong Stock Exchange in December 2010, from this financial year beginning on 1 January 2019, the Company decided to prepare the financial statements in accordance with Accounting Standards for Business Enterprises and the relevant regulations issued by the Ministry of Finance of the People's Republic of China ("PRC Accounting Standards") for information disclosure at the Hong Kong Stock Exchange.

The financial statements have been prepared on a going concern basis.

The financial statements are prepared under the historical cost convention, except for certain financial instruments and investment properties. If the assets are impaired, corresponding provisions for impairment shall be made according to relevant rules.

Statement of compliance with accounting standards for business enterprises

The financial statements have been prepared in accordance with the Accounting Standards for Business Enterprises, and give a true and fair view of the financial position of the Company and the Group as at 30 June 2019, and of their operating results and cash flows for the six months ended 30 June 2019.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

The financial information included in the financial statements of the Company and the Group for the six months ended 30 June 2019 have been prepared based on the following significant accounting policies and estimates formulated in accordance with the Accounting Standards for Business Enterprises.

1. Accounting period

The accounting year of the Group is from 1 January to 31 December each year and the accounting period for these financial statements is from 1 January 2019 to 30 June 2019.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (Continued)

2. Functional currency

Renminbi ("RMB") is the functional currency of the Company and the subsidiaries, joint ventures and associates under the Group, which is used in the preparation of these financial statements by the Company. Unless otherwise stated, the unit of the currency is RMB'000.

3. Business combinations

Business combinations are classified into business combinations under common control and business combinations not under common control.

Business combinations under common control

A business combination under common control is a business combination in which all of the combining entities are ultimately controlled by the same party or parties both before and after the combination, and that control is not transitory. For a business combination under common control, the party that, on the combination date, obtains control of another entity participating in the combination is the acquiring party, while that other entity participating in the combination is a party being acquired. The combination date is the date on which the acquiring party effectively obtains control of the party being acquired.

Assets and liabilities (including goodwill arising from the acquisition of the merged party by the ultimate controlling party) obtained by the merging party in a business combination shall be measured at their carrying amounts at the date of combination as recorded by the ultimate controlling party. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the combination (or the aggregate face value of shares issued as consideration) is adjusted to share premium under the capital reserve. If the capital reserve is not sufficient to absorb the difference, any excess is adjusted against retained earnings.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (Continued)

3. Business combinations (Continued)

Business combinations not under common control

A business combination not under common control is a business combination in which all of the combining entities are not ultimately controlled by the same party or parties both before and after the combination. For a business combination not under common control, the party that, on the acquisition date, obtains control of another entity participating in the combination is the acquirer, while that other entity participating in the combination is the acquiree. Acquisition date is the date on which the acquirer effectively obtains control of the acquiree.

The acquirer measures the acquiree's identifiable assets, liabilities and contingent liabilities acquired in the business combination at their fair values on the acquisition date.

Where the aggregate of the fair value of the considerations paid (or the fair value of the equity securities issued) and the fair value of the acquiree previously held equity interest before the acquisition date exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is recognised as goodwill. Goodwill is subsequently measured at cost less any accumulated impairment losses. Where the aggregate of the fair value of the considerations paid (or the fair value of the equity securities issued) and the fair value of the acquiree's previously held equity interest before the acquisition date is less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the acquirer reassesses the measurement of the fair value of the considerations paid (or the fair value of the equity securities issued) and the fair value of the acquirer's previously held equity interest, if after that reassessment, the aggregate of the fair value of the considerations paid (or the fair value of the equity securities issued) and the fair value of the acquirer's previously held equity interest is still less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the acquirer recognises the difference immediately in the profit or loss for the current period.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (Continued)

4. Consolidated financial statements

The consolidation scope of the consolidated financial statements is determined on the basis of control, including the financial statements of the Company and all of its subsidiaries. A subsidiary is an entity (including an enterprise, a separable part of an investee, and the structural entities controlled by the Company) which is under the control of the Company

The accounting policies and accounting periods of the Company and subsidiaries are consistent in the preparation of the consolidated financial statements. All assets, liabilities, equity, income, expenses and cash flows arising from intra-group transactions are eliminated on consolidation.

When the amount of loss for the period attributable to the non-controlling shareholders of a subsidiary exceeds the non-controlling shareholders' portion of the opening balance of owners' equity of the subsidiary, the excess amount is still charged against non-controlling interests.

For a subsidiary that is acquired in a business combination involving enterprises not under common control, the operating results and cash flows of the acquiree shall be consolidated into the consolidated financial statements from the date on which the Group takes control of acquiree to the date on which such control ceases. In the preparation of the consolidated financial statements, the financial statements of the subsidiary are adjusted based on the fair value of the subsidiary's identifiable assets, liabilities or contingent liabilities determined as at the acquisition date.

For a subsidiary that is acquired in a business combination involving enterprises under common control, the operating results and cash flows of the merged party shall be incorporated into the consolidated financial statements at the beginning of the current period. In the preparation of the consolidated financial statements, the relative items of the financial statements of the previous period are treated as if the merged party had been formed under the control of the Group at the very beginning.

If a change in any facts and circumstances gives rise to one or more changes in controlling factors, the Group will reassess whether it controls the investee or not.

Change in non-controlling interests that does not result in the loss of control over the subsidiary is accounted for as an equity transaction.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (Continued)

5. Cash and cash equivalents

Cash comprises the Group's cash on hand and deposits that can be withdrawn on demand at any time. Cash equivalents are the Group's short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

6. Foreign currency transactions and translation of the financial statements prepared in foreign currencies

The Group's foreign currency transactions are translated and recorded in the respective functional currencies.

A foreign currency transaction is recorded in the functional currency on initial recognition, by applying the exchange rate on the date of transaction. At the balance sheet date, foreign currency monetary items are translated into the functional currency using the spot exchange rates at the balance sheet date. Exchange differences arising from the settlements and monetary items are recognized in profit or loss for the period, except that exchange differences that qualify for capitalization related to a specific-purpose borrowing denominated in foreign currency are capitalized as part of the cost of the qualifying asset. Foreign currency non-monetary items measured at historical cost are translated at the spot exchange rate on the date of transaction but the amount of the functional currency is not changed. Foreign currency non-monetary items measured at fair value are re-translated at the spot exchange rate on the date the fair value is determined. The exchange differences are recognized in profit or loss or as other comprehensive income depending on the nature of the non-monetary items.

Cash flows arising from a transaction in foreign currency are translated at the spot exchange rate of the transaction date of cash flows. The effect of exchange rate changes on cash is regarded as a reconciling item and presented separately in the statement of cash flows.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (Continued)

7. Financial instruments

Financial instruments refer to contracts that form the financial assets of one company and form the financial liabilities or equity instruments of other companies.

The recognition and derecognition of financial instruments

The Group recognizes a financial asset or financial liability when it becomes a party to a financial instrument contract.

A financial asset (or part of a financial asset, or a portion of a group of similar financial assets) is derecognized and written off from its account and balance sheet, when the following conditions are met:

(1) The right to receive cash flows from financial assets expires;

(2) Transferring the right to receive cash flows from financial assets, or under the "hands-on agreement", undertaking the obligation to pay the full amount of cash flows to the third party in full; and (a) substantially transferring all risks and rewards of the ownership of the financial assets, or (b) abandoning the control of the financial assets, although it does not substantially transfer or retain almost all of the risks and rewards of the ownership of the financial assets.

If the responsibility for a financial liability has been fulfilled or revoked or has expired, the financial liability should be derecognized. If an existing financial liability is replaced by another financial liability of the same creditor on substantially virtually different terms, or if the terms of the existing liability are substantially modified, such replacement or modification is deemed to terminate the recognition of the original liability and to confirm the new disposal of liabilities, the difference is included in the current profit or loss.

The purchases and sales of financial assets in regular ways are recognized and derecognized on a trade date basis. The purchases and sales of financial assets in regular ways refers to the collection or delivery of financial assets within the time limit stipulated by regulations or common practices in accordance with the terms of the contract. The trading day is the date on which the Group commits to buy or sell the financial assets.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (Continued)

7. Financial instruments (Continued)

Classification and measurement of financial assets

The financial assets of the Group are classified upon the initial recognition based on the business model of the Group's financial asset management and the characteristics of the financial assets' contractual cash flows: financial assets measured at fair value through profit or loss, financial assets measured at amortized cost or financial assets measured at fair value through other comprehensive income. Financial assets are measured at fair value on initial recognition. However, if the accounts receivable or receivable notes arising from selling goods and the provision of services do not include significant financing components or do not consider financing components not exceeding one year, the financial assets shall be initially measured at the transaction price.

For financial assets measured at fair value through profit or loss, the related transaction expense is directly recognized in profit or loss for the current period. The related transaction costs of other types of financial assets are included in their initial recognition amount.

Subsequent measurement of financial assets depends on their classification:

Debt instrument investments measured at amortized cost

Financial assets are classified as financial assets measured at amortized cost if the financial assets meet the following conditions: The business model for managing the financial assets is to collect contractual cash flows; the contractual terms of the financial assets stipulate that cash generated on a specific date is only the payment of the principal and the interest based on the outstanding principal amount. The effective interest method is used to recognize interest revenue for such financial assets. The gains or losses arising from derecognition, modification or impairment are recognized in profit or loss for the current period. Such financial assets mainly include monetary funds, accounts receivable and other receivables, etc.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (Continued)

7. Financial instruments (Continued)

Equity instrument investments measured at fair value through other comprehensive income

The Group irrevocably opts to assign some of the investments in non-tradable equity instruments to financial assets at fair value through other comprehensive income, and only recognizes relevant dividend incomes (excluding dividend incomes taken back clearly as part of investment cost) in profit or loss for the current period, while subsequent changes in fair value is recognized as other comprehensive income without provision for impairment. When the financial assets are derecognized, the cumulative gains or losses previously recognized in other comprehensive income are reclassified from other comprehensive income to retained earnings. Such financial assets are stated as other equity instrument investments.

A financial asset is classified as held for trading if one of the following conditions is satisfied: it has been acquired principally for the purpose of selling or repurchasing in the near term; it is part of a portfolio of identified financial instruments that the Group manages together and there is objective evidence that the Group has a recent actual pattern of short-term profit-taking; it is a derivative, except for a derivative that is a designated and effective hedging instrument, or a derivative that qualifies for financial guarantee contracts.

Financial assets at fair value through profit or loss

The financial assets other than those measured at amortized cost and at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. For such financial assets, fair value is used for subsequent measurement, and all changes in fair value are recognized in profit or loss for the current period. Such financial assets are stated as financial assets held for trading, and those maturing more than one year after the balance sheet date and expected to be held for more than one year are stated as other non-current financial assets.

Neither a certain financial asset designated as the financial asset at fair value through profit or loss by an enterprise at the time of initial recognition can be reclassified as other financial assets nor can other financial assets be redesignated as financial assets at fair value through profit or loss after initial recognition.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (Continued)

7. Financial instruments (Continued)

Financial assets at fair value through profit or loss (Continued)

Based on the above condition, such financial assets designated by the Group mainly include non-principal guaranteed wealth management products with variable income and bills receivable.

Only if the Group changes its business model for managing financial assets, all affected financial assets can be reclassified.

Classification and measurement of financial liabilities

The financial liabilities of the Group are, on initial recognition, classified as financial liabilities at fair value through profit or loss, other financial liabilities and derivatives designated as effective hedging instruments. For financial liabilities measured at fair value through profit or loss, the related transaction expense is directly recognized in profit or loss, while the related transaction expense of other financial liabilities is included in the initial recognition amount. The Group only holds financial liabilities classified as other financial liabilities.

Subsequent measurement of financial liabilities depends on their classification:

Other financial liabilities

Such financial liabilities are measured at amortized cost by using the effective interest method.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (Continued)

7. Financial instruments (Continued)

Impairment of financial instruments

On the basis of expected credit losses, the Group performs the impairment treatment on financial assets, contract assets and financial guarantee contracts measured at amortized cost and confirms the loss provision.

Credit loss refers to the difference between all contractual cash flows receivable from the contract and all cash flows expected to be received by the Group at the original effective interest rate, that is, the present value of all cash shortages. Among them, financial assets that have been credit-depleted by the Group or purchased by the Group shall be discounted according to the credit-adjusted effective interest rate for financial assets.

For receivables and contract assets that do not contain significant financing components, the Group uses a simplified measurement method to measure loss provision based on the amount of expected credit losses for the entire duration of the life.

For financial assets and financial guarantee contracts other than those measured by the aforesaid simplified measurement method, the Group assesses whether its credit risk has increased significantly since the initial recognition on each balance sheet date. If the credit risk has not increased significantly since the initial recognition (at the first phase), the Group measures the loss provision based on the amount of expected credit loss over the next 12 months and calculates the interest income based on the book balance and effective interest rate; if the credit risk has increased significantly but the financial assets have not yet been credit-impaired since the initial recognition (at the second phase), the Group measures the loss provision based on the amount of expected credit losses for the entire duration of the life and calculates the interest income based on the book balance and effective interest rate; if the financial assets have been credit-impaired since the initial recognition (at the third phase), the Group measures the loss provision based on the amount of expected credit losses for the entire duration of the life and calculates the interest income based on the amortized cost and effective interest rate. For financial instruments that have lower credit risk on the balance sheet date, the Group assumes that its credit risk has not increased significantly since the initial recognition.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (Continued)

7. Financial instruments (Continued)

Impairment of financial instruments (Continued)

Expected credit losses of financial instruments are assessed on an individual basis and group basis by the Group. The Group assesses expected credit losses of financial instruments including accounts receivable, other receivables and contract assets based on grouping by age and in light of credit risk characteristics of different customers.

The Group considers all reasonable and evidenced information relating to past events, current conditions and future economic forecast when assessing expected credit losses.

Please refer to Note VIII-3 for disclosures including the Group's criteria for judging the significant increase of credit risk, definition of credit-impaired assets and assumption of expected credit loss measurement.

When the Group no longer reasonably expects to be able to fully or partially recover the contractual cash flows of financial assets, the Group directly writes down the book balance of the financial assets.

Elimination of financial instruments

The net amount after eliminating financial assets and financial liabilities is presented in the balance sheet if the following conditions are satisfied: A lawful right exists for eliminating recognized amounts, and such lawful right is currently enforceable; it is planned that the financial assets and financial liabilities are to be netted against each other, or that they are to be realized and settled simultaneously.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (Continued)

7. Financial instruments (Continued)

Financial guarantee contracts

Financial guarantee contracts are those contracts that require a payment to be made by the issuer to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are measured at fair value at initial recognition. Subsequent to initial recognition, financial guarantee contracts that are not designated as financial liabilities at fair value through profit or loss are measured at the higher of the expected credit loss provision recognized at the balance sheet date and the amount initially recognized less cumulative amortization amount in accordance with the guidance for revenue recognition.

Transfer of financial assets

If the Group transfers substantially all the risks and rewards of ownership of the financial asset to the transferee, it derecognizes the financial asset; if the Group retains substantially all the risks and rewards of ownership of the financial asset, it does not derecognize the financial asset.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership of a financial asset, it is accounted for as follows: if the Group has not retained control of the financial asset, it derecognizes the financial asset and recognizes any resulting assets or liabilities; if the Group has retained control of the financial asset, it recognizes the financial asset to the extent of its continuing involvement in the transferred financial asset and recognizes an associated liability.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (Continued)

8. Inventories

Inventories include raw material, properties under development and completed properties held for sale.

Inventories are initially measured at cost. Cost of inventories comprises costs of purchase, costs of conversion and other costs. Costs for properties under development and completed properties held for sale include land costs, construction costs, capitalized interests, and other direct and indirect development expenses in relation to property development. Cost of properties under development is transferred to cost of completed properties held for sale based on actual cost upon completion of development and is allocated on weighted average basis.

On the balance sheet date, the inventories shall be calculated by the lower of cost and net realized value. When the cost is higher than the net realizable value, inventory impairment allowance shall be provided and the inventories shall be included in current profit and loss. In case the factors impacting the previous providing of the inventory impairment allowance are eliminated, making the net realizable value of the inventory higher than its carrying amount, the write-down amount should be recovered from the amount of inventory impairment allowance previously provided and the corresponding amount shall be reversed to current profit and loss.

The net realizable value represents the amount derived by deducting the potential cost, estimated sale cost and relative taxes to the completion date from the estimated selling price of the inventory in daily activities. When providing the inventory impairment allowance, raw material shall be provided by individual inventory item, and the costs of properties under development and completed properties held for sale shall be provided by categories.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (Continued)

9. Long-term equity investments

Long-term equity investments include equity investments in subsidiaries, joint ventures and associates. A long-term equity investment is initially recorded at its initial investment cost on acquisition.

For a long-term equity investment where the Company can exercise control over the investee, the Company uses the cost method in the Company's separate financial statements. Control refers to the power over an investee, and exposure, or rights, to variable returns from its involvement with the investee, and the ability to use its power over the investee to affect the amount of the investor's returns.

Under the cost method, the long-term equity investment is measured at its initial investment cost. For addition or recovery of investments, the cost of long-term equity investments is adjusted accordingly. Cash dividend or profit declared to be distributed by an investee is recognized as profit for the current period.

The equity method is adopted for a long-term equity investment when the Group holds joint control, or exercises significant influence on the investee. Joint control refers to the contractually-agreed shared control over an arrangement and related activities under such arrangement shall be decided on with the unanimous consent of the parties sharing control. Significant influence is the power to participate in the financial and operating policy decisions of the investee rather than to control or jointly control with other parties over the formulation of those policies.

Under the equity method, where the initial investment cost of a long-term equity investment is more than the share of the fair value of the investee's identifiable net assets when the investment is made, the cost is included in the initial investment cost of the long-term equity investment. Where the initial investment cost is less than the share of the fair value of the investee's identifiable net assets when the investment is made, the difference is recognized in profit or loss for the current period and the cost of the long-term equity investment is adjusted accordingly.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (Continued)

9. Long-term equity investments (Continued)

Under the equity method, the Group recognizes its share in the net profit or loss and other comprehensive income made by the investee as investment income or losses and other comprehensive income after the acquisition of the long-term equity investment, and adjusts the carrying amount of the long-term equity investment accordingly. When recognizing the Group's share in the net profit or loss of the investee, the Group recognizes the net profit of the investee after making appropriate adjustments based on the fair values of the identifiable assets of the investee when the investment is acquired and in accordance with the Group's accounting policies and periods, after eliminating the portion of the profits or losses, arising from internal transactions with its joint ventures and associates, attributable to the investor according to its share ratio (but losses arising from internal transactions that belong to impairment losses on assets should be recognized in full), save for business formed by assets invested or disposed. The carrying amount of the long-term equity investment is reduced accordingly based on the Group's share of profit or cash dividends declared to be distributed by the investee. The Group's share in net loss of the investee is recognized to the extent that the carrying amount of the long-term equity investment and other long-term equity substantively forming net investments of the investee are written down to zero, except that the Group has incurred obligations to assume additional losses. The Group adjusts the carrying amount of the long-term equity investment for other changes in shareholders' equity of the investee (other than net profit or loss, other comprehensive income and profit appropriation of the investee) and includes the corresponding adjustments in the shareholders' equity.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (Continued)

9. Long-term equity investments (Continued)

On disposal of the long-term equity investment, the difference between carrying amount and consideration actually received is recognized in profit or loss for the current period. For long-term equity investments under equity method, when the use of the equity method is discontinued, other comprehensive income previously accounted for under the equity method shall be accounted for on the same basis as where the relevant assets or liabilities are disposed of directly by the investee. Shareholders' equity recognized as a result of changes in other shareholders' equity (other than the net profit or loss, other comprehensive income and profit appropriation of the investee) shall be taken in full to the profit or loss for the current period. If the equity method remains in use, other comprehensive income previously accounted for under the equity method shall be accounted for on the same basis as where the relevant assets or liabilities are disposed of directly by the investee and taken to the profit or loss for the current period in proportion. Shareholders' equity recognized as a result of changes in shareholders' equity (other than the net profit or loss, other comprehensive income and profit appropriation of the investee) shall be taken to the profit or loss for the current period on a pro-rata basis.

10. Investment property

Investment property is any property held for rental earnings or capital appreciation or both. It includes buildings being leased out, etc.

An investment property is measured initially at cost. Expenditure subsequently incurred for such investment property is recognized in its cost if the economic benefits associated with such investment property are probable to flow in and relevant costs can be measured reliably, otherwise recognized in profit or loss for the period of their occurrence.

The Group subsequently measures investment properties by adopting the fair value model without provision for depreciation and adjusts its carrying value based on investment properties' fair value in balance sheet date with the difference between fair value and original carrying value recognized in profit or loss for the period.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

11. Fixed assets

A fixed asset is recognized only when the economic benefits associated with the asset are probable to flow into the Group and the cost of the asset can be measured reliably. Subsequent expenditures incurred for the fixed asset are included in the cost of the fixed asset when meeting the above confirming conditions, and the carrying amount of the replaced part is derecognized; otherwise the expenditures are recognized in profit or loss in the period in which they are incurred.

Fixed assets initially measured at cost. The cost of a purchased fixed asset consists of the acquisition price, relevant taxes, and other directly attributable expenditure for bringing the asset to its working condition for its intended use. A fixed asset is depreciated using the straight-line method. The useful life, net of estimated residual value rate and annual depreciation rate of each category of fixed assets are as follows:

	Useful life	Net of estimated residual value rate	Annual depreciation rate
Land and buildings	20-30 years	3%	3.23%-4.85%
Machinery equipment	5-10 years	5%	9.50%-19.00%
Transportation vehicles	4-8 years	5%	11.88%-23.75%
Office equipment and others	3-4 years	1%-5%	23.75%-33.00%

The Group reviews the useful life and net of estimated residual value of a fixed asset and the depreciation method applied at least once at each year-end, and adjusts when necessary.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (Continued)

12. Construction in progress

Construction in progress is recognized at its actual costs, which include various necessary construction expenditures during the construction period and other relevant costs.

Construction in progress is transferred to a fixed asset when it is ready for intended use.

13. Borrowing costs

Borrowing costs are interests and other related cost arising from Group's borrowing, including borrowing interests, amortization of discounts or premiums, ancillary expenses and exchange differences arising from foreign currency lending etc.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying asset are capitalized, and other borrowing costs are recognized in profit or loss for the period. Qualifying assets are assets such as inventories that necessarily take a substantial period of time for acquisition, construction or production activities to get ready for its intended use or sale.

Borrowing costs may be capitalised only when:

(1) Expenditures for such asset are incurred;

(2) Borrowing costs are incurred;

(3) The acquisition, construction or production activities which are necessary to prepare the asset for its intended use or sale have started.

Capitalization of borrowing costs ceases when the qualifying asset being acquired, constructed or produced becomes ready for its intended use or sale. Borrowing costs incurred subsequently are recognized in current profit or loss.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (Continued)

13. Borrowing costs (Continued)

During the period of capitalisation, the amount of capitalised interests in each accounting period is determined by the following methods:

(1) For dedicated borrowings, the amount of capitalised interests is the interest expenses actually incurred in the current period less the interest income earned on temporary deposits or investment income.

(2) For general borrowings utilised, the amount of capitalised interests is the weighted average asset expenditures of the excess of accumulative asset expenditure over the dedicated borrowings multiplying the weighted average interest rate of the general borrowings utilised.

Where the acquisition and construction or production of a qualified asset is interrupted abnormally and the interruption period lasts for more than 3 consecutive months, other than those necessary to prepare the asset for its intended use or sale, the capitalization of the borrowing costs shall be suspended. Borrowing costs incurred during the interruption period are recognised as cost in profit or loss for the current period, until those acquisition or construction is resumed.

14. Intangible assets

Intangible assets may be recognized and initially measured at cost only when economic benefits relating to them are likely to flow into the Group as well as its cost can be measured reliably. However, for intangible assets acquired from business combination not under common control, if their fair value can be measured reliably, they are recognized separately as intangible assets and measured at fair value.

The useful life of an intangible asset shall be determined based on the term in which it can generate economic benefits for the Group. An intangible asset is regarded as having an indefinite useful life when there is no foreseeable term in which it can generate economic benefits for the Group.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (Continued)

14. Intangible assets (Continued)

The useful life of each category of intangible assets is as follows:

	Useful life
Land use rights	50 years

Land use rights that are purchased by the Group are accounted for as intangible assets. For buildings such as office buildings that are developed and constructed by the Group, the relevant land use rights and buildings, are accounted for as intangible assets and fixed assets, respectively. Payments for the land and buildings purchased are allocated between the land use rights and the buildings; if they cannot be reasonably allocated, all of the land use rights and buildings are accounted for as fixed assets.

An intangible asset with finite useful life is amortised over its useful life period by using the straight-line method. The useful life and amortization method of an intangible asset with finite useful life shall be reviewed at least once at each year-end, and adjusted when necessary.

15. Research and development expenditures

Internal research and development expenditures are classified as research expenditures and development expenditures. Research expenditure is recognized in profit or loss when occurred.

Development expenditure can only be capitalized if the following conditions are all met, namely: It is technically feasible to complete the intangible asset that can be used or sold; It is intending to use or sell the completed intangible asset; The intangible asset produced can generate economic benefits, including the ability to prove that the product, produced by the intangible asset, or the intangible asset itself exists in the market, or that the intangible asset is useful for the internal use; the Group has sufficient technologies, financial resources, and other resources to support and complete the development, and has the ability to use or sell the intangible asset once it is made; and the development expenditure of the intangible asset can be properly measured. If the development expenditure cannot meet the condition listed above, the development expenditure will be recognized in profit or loss when occurred.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

16. Impairment of assets

The Group determines impairment of assets excluding inventories, investment properties measured at fair value model, deferred income taxes, finance assets and assets held for sale on below method:

The Group determines whether there is any indication that assets have suffered impairment losses at balance sheet date. If an impairment indication exists, the recoverable amount is estimated and impairment test is carrying out. The intangible assets with the goodwill and indefinite useful life arising from business combination should be performed impairment test at least once at the each year-end whether an impairment indication exists. As for intangible assets that have not been ready for intended use, an impairment test should be carried out each year.

The recoverable amount of an asset is the higher of its fair value less costs of disposal and the present value of the future cash flows expected to be derived from the asset. Recoverable amount is estimated on individual basis. If it is not practical to estimate the recoverable amount of an individual asset, the recoverable amount of the asset group to which the asset belongs will be recognized. The asset group is determined according to whether the main cash flows generated from the asset group are independent from those from other assets or asset group.

If such recoverable amount is less than its carrying amount, carrying amount is reduced to its recoverable amount, the reduction amount is recognized in profit or loss for the current period and a provision for impairment losses of such assets has been prepared.

Once an impairment loss is recognized for above-mentioned assets, it will not be reversed in subsequent accounting period.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (Continued)

17. Employee benefits

Employee benefits represent all kinds of reward or compensation for service rendered by employees or the termination of employment given by the Group. Employee benefits include short-term remuneration, post-employment benefit, termination benefits and other employee benefits. Benefits the Group provided to employees' spouse, children, dependent, families of the deceased employees and other beneficiaries also belong to employee benefits.

Post-employment benefits (Defined contribution plans)

Our employee participated in endowment insurance and unemployment insurance managed by local government and corresponding expenses are recognized in costs of related assets or profit or loss for the current period.

Termination benefits

When the Group provides termination benefits to employees, employee remuneration liabilities are recognized for termination benefits, with a corresponding charge to the profit or loss for the period at the earlier of the following dates: when the Group cannot unilaterally withdraw the offer of termination benefits because of the termination plan or a curtailment proposal; and when the Group recognizes costs or expenses related to restructuring that involves the payment of termination benefits.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (Continued)

18. Provisions

Except for a contingent consideration and contingent liability assumed in a business combination not under common control, the Group recognises an obligation related to a contingency as a provision when all of the following conditions are satisfied:

(1) the obligation is a present obligation of the Group;

(2) it is probable that an outflow of economic benefits from the Group will be required to settle the obligation;

(3) the amount of the obligation can be measured reliably.

A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation, with comprehensive consideration of factors such as the risks, uncertainty and time value of money relating to a contingency. The carrying amount of a provision is reviewed at each balance sheet date. If there is clear evidence that the carrying amount does not reflect the current best estimate, the carrying amount is adjusted to the best estimate.

The contingent liabilities of the acquiree acquired in the business combination not under common control are measured at fair value at initial recognition. After initial recognition, contingent liabilities are subsequently measured by the higher of: the amount that would be recognised based on provisions and the balance of the amount initially recognised less the cumulative amortisation determined by the income recognition principle.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (Continued)

19. Revenue

The Group recognizes revenue when it performs the performance obligations in the contract, namely, when the customer obtains control over relevant goods or services. Control over the relevant goods and services refers to the ability to direct the use of the goods, and obtain substantially all of the economic benefits from the provisions of the services.

Construction contracts

The construction contract between the Group and the customer usually includes the performance obligation of building construction, infrastructure construction and specialized and other construction. As the customer can control the goods under construction during the performance of the Group, the Group regards it as a performance obligation performed within a certain period of time and recognizes the income according to the progress of the performance, excepting that the progress of the performance cannot be reasonably determined. The Group determines the progress of the performance of the services provided in accordance with the input method. If the performance of the Group is expected to be compensated if the progress of the performance cannot be reasonably determined, the revenue will be recognized according to the amount of costs incurred, until the progress of the performance can be reasonably determined.

Property sale contracts

For property sale contract between the Group and the customer, the revenue is recognized at the point of time when the property is completed, passes the acceptance assessment and meets the delivery conditions as agreed in the sale contract, and the customer obtains the control of relevant goods and services.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (Continued)

19. Revenue (Continued)

Sale of goods contracts

The sale of goods contract between the Group and the customer usually contains only the performance obligations for the transfer of concrete products. The Group generally recognizes revenue at the point of acceptance of the goods by the customer on the basis of a combination of the following factors: the current right of receiving payment for the goods, the transfer of major risks and benefits in the ownership of the goods, and the transfer of the legal ownership of the goods, the transfer of physical assets of the goods and that the customers have accepted the goods.

Significant financing components

For the existence of significant financing components in the contract, the Group determines the transaction price based on the amount payable immediately by cash upon the receipt of control of goods by the customer, and uses the discount rate which discounts the nominal amount of the contract consideration to the discounted price of the goods to amortise the difference between the determined transaction price and the consideration amount of the contract commitment using the effective interest method during the contract period.

Where it is expected that the intervals between the customer's control over the goods and the payment by the customer will not exceed one year, the Group does not consider the significant financing components in the contract.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (Continued)

19. Revenue (Continued)

Quality assurance obligation

The Group provides quality assurance for the assets constructed pursuant to contractual agreement and laws and regulations. The Group performs accounting treatments in accordance with Note III-19 with a view to providing guarantee to the customers that the assets constructed meet the established quality standards. In addition to providing guarantee to the customers that the assets constructed meet the established quality standards, the Group provided the customers with a separate quality assurance for services, regarding it as a separate performance obligation. Based on the relative proportion of the individual selling prices of providing quality assurance for assets constructed and services, part of the transaction price is allocated to quality assurance of services and revenue is recognised when the customers take control of the services. In assessing whether quality assurance is provided as a separate service other than providing guarantee to the customers that the assets constructed meet the established quality standards; the Group considers factors such as whether the quality assurance is a statutory requirement, the term of quality assurance and nature of the Group's commitment to perform its obligations.

Changes of contract

When the contract for the construction contract between the Group and the customer changes:

(1) If the contract change adds a clearly distinguishable construction service and contract price and the new contract price reflects the separate selling price of the new construction service, the Group treats the contract change as a separate contract for accounting treatment;

(2) If the contract change does not fall within the above-mentioned situation (1), and the construction service transferred and that untransferred can be clearly distinguished on the contract change date, the Group will regard it as the original contract termination, and at the same time, the non-compliance part of the contract and the contract change part are merged into a new contract for accounting treatment;

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (Continued)

19. Revenue (Continued)

Changes of contract (Continued)

(3) If the contract change does not fall within the above-mentioned situation (1), and there is no clear distinction between the construction service transferred and that untransferred on the contract change date, the Group will treat the changed part of the contract as part of the original contract for accounting treatment. The resulting impact on the recognized revenue is adjusted for current income on the contract change date.

Concession contract ("BOT Contract")

The concession activities under the BOT contract usually include constructions, operations, and transfers. During the construction phase, the contract revenue for construction services is recognised in accordance with the above accounting policies of the construction contract. Revenue of construction contract shall be measured at fair values of consideration received or receivable, and the financial assets shall be recognised at the same time as revenue.

The Group recognises as financial assets while recognising the revenue to the extent that it has an unconditional contractual right to receive specified or determinable amount of cash or another financial asset from the grantor within a certain period after the completion of construction of the relevant infrastructure.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (Continued)

19. Revenue (Continued)

Concession contract ("BOT Contract") (Continued)

The Group, instead of recognising the revenue for those infrastructure construction being subcontracted to other parties other than providing actual construction service, recognises financial assets or intangible assets, respectively based on the costs incurred and paid during the construction and the contract arrangement of the project.

During the operation phase, corresponding revenue is recognised when labour service being provided; and the daily maintenance or repair costs incurred are recognised as current expenses.

The contract stipulates that the Group shall maintain the relevant infrastructure in a good condition before returning to the grantor, and the current obligations undertaken by the Group in the expenses incurred are expected to be recognised as a provision.

20. Contract assets and contract liabilities

The Group presents contract assets or contract liabilities in the balance sheet based on the relationship between the Group's fulfilment of performance obligations and customers' payment.

Contract assets

The Group presents its unconditional right (only subject to passage of time) to receive considerations from customers as accounts receivable, and presents its right to receive considerations for goods transferred to customers (subject to factors other than passage of time) as contract assets.

Please refer to Note III-17 for the Group's methods for determining and accounting for expected credit loss on contract assets.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (Continued)

20. Contract assets and contract liabilities (Continued)

Contract liabilities

In the event that the enterprises have received relevant amounts before transferring the promised goods, the Group presents the obligations for transfer of goods to customers for considerations received or receivable from customers as contract liabilities.

The Group offsets the contract assets and contract liabilities under the same contract and presents them as a net amount.

21. Income tax

Income tax comprises current and deferred tax. Income tax is recognised as income or an expense in profit or loss for the current period, except for the tax arising from adjustment of goodwill arising from a business combination, or recognised in shareholders' equity if it arises from a transaction or event which is recognised directly in shareholders' equity.

Current income tax liabilities (or assets) for the current and prior periods are measured at the amount expected to be paid (or recovered) according to the requirements of tax laws.

For temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts, and temporary differences between the carrying amounts and the tax bases of items which have not been recognised as assets and liabilities but the tax bases of which can be determined for tax purposes, deferred taxes are provided using the liability method.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (Continued)

21. Income tax (Continued)

A deferred tax liability is recognised for all taxable temporary differences, except:

(1) where the taxable temporary differences arise from the initial recognition of goodwill, or the initial recognition of an asset or liability in a transaction which contains both of the following characteristics: the transaction is not a business combination; and at the time of the transaction, it affects neither accounting profit nor taxable profit or deductible loss; and

(2) in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not be reversed in the foreseeable future.

A deferred tax asset is recognised for deductible temporary differences, carryforward of unused deductible tax losses and tax credits, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of deductible tax losses and tax credits can be utilised, except:

(1) where the deductible temporary differences arise from a transaction that is not a business combination and, at the time of the transaction, neither the accounting profit nor taxable profit or loss is affected; and

(2) in respect of the deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, a deferred tax asset is only recognised to the extent that it is probable that the temporary differences will be reversed in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised in the future.

At the balance sheet date, deferred tax assets and liabilities are measured at the applicable tax rates that are expected to apply to the period when the asset is realised or the liability is settled, according to the requirements of tax laws. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Group expects at the balance sheet date to recover the assets or settle the liabilities.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (Continued)

21. Income tax (Continued)

The carrying amount of deferred tax assets is reviewed at the balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available in future periods to allow the deferred tax assets to be utilised. Unrecognised deferred tax assets are reassessed at the balance sheet date and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

When all of the following conditions are satisfied simultaneously, the deferred income tax assets and deferred income tax liabilities are presented as the net amount after offsetting: the Group has a legal right to settle current tax assets and liabilities on a net basis; the deferred taxes are related to the same tax payer within the Group and the same taxation authority, or related to different tax payers but during the period when each of the significant deferred income tax assets and deferred income tax liabilities is reversed and the tax payer involved intends to settle the current income tax asset and current income tax liability on a net basis, or simultaneously obtain assets and pay off the debts.

22. Leases

The Group's right-of-use assets mainly include buildings and machinery equipment.

On the commencement date of the lease term, the Groups recognises its right to use the leased assets over the lease term as right-of-use assets, including (1) the initially measured amount of lease liabilities; (2) the lease payments paid on or before the commencement date of the lease term excluding the lease incentives related amount enjoyed where lease incentives exist; (3) the initial direct expenses by lessee; (4) the cost expected to occur by lessee to dismantle and remove the leased assets, restore the site where leased assets located or restore the leased assets to the status agreed in lease terms. The Group subsequently uses the straight-line method to depreciate the right-of-use assets. If it can be reasonably determined that the ownership of the leased assets can be obtained at the expiration of the lease term, the Group shall make depreciation during the remaining useful life of the leased assets. If it cannot be reasonably determined that the ownership of the leased assets can be obtained at the expiry of the lease term, the leased assets shall be fully depreciated over the shorter of the lease term or its useful life.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (Continued)

22. Leases (Continued)

The Group shall remeasure the lease liabilities according to the present value of the changed lease payments, and adjust the carrying amount of the right-of-use assets accordingly. However, if the carrying amount of the right-of-use assets is reduced to zero and there is a further reduction in the measurement of the lease liabilities, the Group recognises any remaining amount of the remeasurement in profit or loss for the current period.

On the commencement date of the lease term, the Groups recognises the present value of the lease payments that have not been paid as lease liabilities, except for short-term leases and low-value asset leases. In calculating the present value of the lease payments, the Group uses the leased interest rate as the discount rate; if the interest rate of the lease cannot be determined, the lessee's incremental borrowing rate is used as the discount rate. The Group calculates interest expenses in each period during the lease term based on a constant periodic interest rate, and recognises the interest expenses in profit or loss for the current period. Variable lease payments not included in the measurement of the lease liabilities are recognised in profit or loss for the current period as incurred.

After the commencement date of the lease period, in the event of change in the actual fixed payment amount, change in the amounts expected to be payable under a residual value guarantee, change in an index or a rate used to determine lease payments, or change in the assessment and actual exercise of an option to purchase the underlying asset, to extend or terminate the lease, the Group shall remeasure the lease liabilities according to the present value of the changed lease payments.

On the contract start date, the Group assesses whether the contract is a lease or includes a lease. If one of the parties transfers the right to control the use of one or more identified assets for a certain period of time in exchange for consideration, the contract is a lease or includes a lease. In order to determine whether the contract has transferred the right of controlling the use of the identified assets within a certain period of time, the Group assesses whether the customers in the contract are entitled to almost all of the economic benefits arising from the use of the identified assets during the period of use and have the right of leading the use of identified assets during this period of use.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (Continued)

22. Leases (Continued)

Assessment of lease term

The lease term is the period during which the Group has the right to use the leased assets and it is irrevocable. Where the Group has the option to renew lease, namely, has the right to choose to renew a lease and reasonably determine that the option will be exercised, the lease term shall also include the period covered by the option to renew lease. Where the Group has the option to terminate lease, namely, has the right to choose to terminate lease of the assets and reasonably determine that the option will not be exercised, the lease term shall include the period covered by the option to terminate lease. In the event of a major event or change within the controllable scope of the Group and where it affects whether the Group reasonably determines that the corresponding option will be exercised, the Group shall re-assess whether it reasonably determines that it will exercise the option to renew lease and call option or not to exercise the option to terminate lease.

Short-term leases and low-value asset leases

On the commencement date of the lease term, the Group shall recognise leases with a lease term of less than 12 months and not including a purchase option as a short-term lease; single leases with a value of less than 30,000 when being a new asset are recognised as low-value asset leases. If the Group subleases or expects to sublease the leased assets, the original leases shall not be recognised as low-value asset lease. The Group does not be recognise the right-of-use assets and lease liabilities for short-term leases and low-value asset leases. During different periods in the lease term, short-term leases and low-value asset leases shall be recognised in the related asset cost or current profit and loss on a straight-line basis. Contingent rents incurred shall be recognised as profit or loss in the current period in which they actually arise.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (Continued)

22. Leases (Continued)

As a lessor

A finance lease is a lease that transfers in substance almost all the risks and rewards incidental to ownership of an asset on the commencement date of lease term. An operating lease is a lease other than a finance lease.

As the lessor of an operating lease

Rental income under an operating lease is recognised by a lessor on a straight-line basis over the lease term through profit or loss for the current period. Contingent rents are included in profit or loss in the current period in which they actually arise.

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, and the advance receipts or lease receipts receivable relating to the original lease prior to the modification shall be deemed as the receipts of the new lease.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (Continued)

23. Discontinued operation

Discontinued operation refers to a component of the Company which meets one of the following requirements and can be distinguished separately and has already been disposed of or classified as held-for-sale:

(1) the component represents an independent major line of business or a major independent geographical area of operation;

(2) the component is part of a plan for the contemplated disposal of an independent major line of business or a major independent geographical area of operation;

(3) the component is a subsidiary acquired exclusively for the purpose of resale.

24. Profit distribution

Cash dividends of the Company are recognised as a liability when they are approved by the Board.

25. Safety production expenses

The safety production expenses accrued in accordance with the regulations are recorded in the relevant product cost or profit or loss of the current period and the special reserve. The treatment for usage of the safety production expenses depends on whether fixed assets are formed or not. If the usage of the safety production expenses is of expenditure, it is directly charged against the special reserve. If the usage of the safety production expenses forms fixed assets, the expenditure incurred is accumulated and recognised as fixed assets when the intended usage condition is achieved. Meanwhile, an equivalent amount is charged against special reserve and recognised as accumulated depreciation.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (Continued)

26. Fair value measurement

The Group measures its investment properties, other equity instruments and financial assets held for trading at fair value at each balance sheet date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement of the related assets and liabilities at fair value is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market is accessible by the Group as at the measurement date. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset at its highest and best use or by selling it to another market participant that would use the asset at its highest and best use.

The Group uses valuation techniques that are appropriate in the current circumstances and for which sufficient data and other information are available to measure fair value, and maximizes the use of relevant observable inputs and only uses unobservable inputs under the circumstances when unobservable inputs are not available or impractical to obtain.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole: Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities at the measurement date; Level 2 – inputs that are observable for the related assets or liabilities other than those of Level 1, either directly or indirectly; Level 3 – inputs that are unobservable for the related assets or liabilities.

For assets and liabilities that are measured at fair value and recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy for fair value measurement by reassessing categorization at each balance sheet date.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES
(Continued)

27. Significant accounting judgements and estimates

The preparation of the financial statements requires management to make judgements, estimations and assumptions that affect the reported amounts and disclosures of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the balance sheet date. However, uncertainty about these assumptions and estimations could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements which have the most significant effect on the amounts recognised in the financial statements:

Operating leases – as lessor

The Group has entered into lease contracts on its investment properties. The Group has determined, based on the terms of lease contracts, that it retains all the significant risks and rewards of ownership of these properties, which are accounted for as operating leases.

Method for determining the progress of construction contract performance

The Group determines the performance of the performance of the construction contract in accordance with the input method. Specifically, the Group determines the performance of the contract based on the cumulative actual construction cost as a percentage of the estimated total cost. The accumulated actual costs include the direct and indirect costs incurred for the transfer of goods to customers by the Group. The Group believes that the construction contract price with the customer is determined on the basis of the construction cost, and the actual construction cost as a percentage of the estimated total cost can accurately reflect the performance progress of the construction service. The Group determines the performance of the contract based on the cumulative actual construction cost as a percentage of the estimated total cost, and recognizes the revenue accordingly. In view of the long duration of construction contracts, which may span several accounting periods, the Group will review and revise the budget as the construction contract progresses, and adjust the revenue recognition amount accordingly.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (Continued)

27. Significant accounting judgements and estimates (Continued)

Judgements (Continued)

Business model

The classification of financial assets held by the Group at initial recognition depends on the business model of the Group's management of financial assets. In determining the business model, the Group takes into account the corporate evaluation and ways to report the performance of financial assets to key management personnel, risks affecting the performance of financial assets and their management style, and the manner in which relevant business management personnel are paid. In assessing whether the business model is based on the objective of collection of contractual cash flows, the Group needs to make analysis and judgements on the reasons, timing, frequency and value of the sale of financial assets before the maturity date.

Contractual cash flow characteristics

The classification of financial assets held by the Group at initial recognition depends on the contractual cash flow characteristics of the financial assets. When it is necessary to determine whether the contractual cash flow is only the payment of the principal and the interest based on the outstanding principal, including the assessment of the correction of the time value of money, it is necessary to determine whether there is a significant difference compared with the benchmark cash flow, and to determine whether the fair value of financial assets with prepayment characteristics is insignificant.

Classification of investment properties and self occupied properties

The Group determines that investment property is any property held for rental earnings or capital appreciation or both (including leased property)

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (Continued)

27. Significant accounting judgements and estimates (Continued)

Judgements (Continued)

Classification of disposal of non-current assets held for sale

It is the component which, in the opinion of the Group, can be separated based on the major business scope of the assets of discontinued operation. Such component was disposed of in 2019.

Entities in which the Group holds less than 20% of voting rights but has a significant influence over them

The Company holds 15%, 5% and 11% equity interests in Jianwei County Yizongliangheng Project Management Company Limited ("Yizongliangheng"), Zhongyuan Environmental (Neihuang) Liangli Ecological Construction Project Management Company Limited ("Zhongyuan Environmental") and Bozhou Xiangju Construction Company Limited ("Bozhou Xiangju"), respectively. The Directors of the Company considered that despite the less than 20% shareholding in each of Yizongliangheng, Zhongyuan Environmental and Bozhou Xiangju, the Company appointed one director in each of Yizongliangheng, Zhongyuan Environmental and Bozhou Xiangju according to the requirements of their respective articles of association. As such, the Company may exercise significant influence over Yizongliangheng, Zhongyuan Environmental and Bozhou Xiangju, and the Company's equity investment in these companies are accounted for as investment in associates.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (Continued)

27. Significant accounting judgements and estimates (Continued)

Judgements (Continued)

Entity in which the Group holds more than 50% of voting rights but has no significant influence over it

As detailed in Note V-2, in June 2019, the Group's management decided to dispose of the entire interest in its subsidiary engaging in property business. In the above property business, Zhongcheng Real Estate Development Co., Ltd. has 51% equity interests in Baoding Zhucheng Real Estate Development Co., Ltd. ("Baoding Zhucheng"). The Directors of the Company considered that despite the over 50% shareholding in Baoding Zhucheng before the disposal of property business, the Group cannot control the return from the operation of Baoding Zhucheng according to the articles of association of Baoding Zhongcheng. As such, the Group considered that it is appropriate to account for the Company's equity investment in Baoding Zhucheng as investment in an associate.

Classification of business of infrastructure construction under BOT model

Prior to the initial application of the revised Accounting Standards for Business Enterprises No. 14 – Revenue issued by the Ministry of Finance ("New Revenue Standard") by the Group on 1 January 2018, the concession right asset obtained by the Group through participation in the construction of wastewater treatment plant under the Build-Operate-Transfer ("BOT") model was accounted for as financial asset, and was recognized as financial asset according to the contract provisions in relation to the right to collect payment upon completion of construction of the infrastructure. After the initial application of new standards for revenue by the Group on 1 January 2018, such concession right asset was accounted for as contract asset.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (Continued)

27. Significant accounting judgements and estimates (Continued)

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the future accounting periods, are described below.

Impairment of financial instruments

The Group uses the expected credit loss model to assess the impairment of financial instruments. The application of the expected credit loss model requires significant judgements and estimations, and all reasonable and evidenced information, including forward-looking information. In making such judgements and estimations, the Group infers the expected changes in the debtor's credit risk based on the historical repayment data in combination with economic policies, macroeconomic indicators, and industry risks.

Fair value of unlisted equity investments

The unlisted equity investments held by the Group shall be measured at fair value. Unlisted equity investment is estimated using the market-based method and the assumptions on which it is based are unobservable inputs. The estimation requires the management to determine comparable public companies (peers) based on industry, scale, gearing ratio and strategy and compute appropriate price multiples in respect of each identified comparable company, such as price to book ("P/B") or price to earnings ("P/E"), etc. Such multiples are measured and arrived at based on the relevant data of the comparable companies and discounted by a percentage for the lack of liquidity. The discounted multiple shall be used for the measurement of the corresponding profit or asset of the unlisted equity investment to arrive at its fair value. Please refer to Note IX-3 for estimation of fair value of unlisted equity investments.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (Continued)

27. Significant accounting judgements and estimates (Continued)

Estimation uncertainty (Continued)

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Progress of completion of construction contract

The percentage of completion of construction contract is measured by reference to the proportion of costs incurred to date to the estimated total cost of the relevant contract. Based on the progress of completion of the contract, the Group reviews and revises the estimates of contract income, contract costs and variation orders for each construction contract. The estimated construction costs are determined by our management based on the quotation provided by major contractors, suppliers or vendors from time to time and the experience of our management. In order to ensure the accuracy of estimates, management conducts periodic reviews of the management's estimates by comparing the estimated amounts to the actual amounts incurred.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (Continued)

27. Significant accounting judgements and estimates (Continued)

Estimation uncertainty (Continued)

Estimation of total expected costs for construction contract

Total expected costs for construction contract include: (1) direct material costs and direct labour; (2) subcontracting costs; and (3) an appropriation of variable and fixed costs and services overheads. In estimating the total expected costs for construction contracting and service contract, management mainly considers (1) current offers from subcontractors and suppliers; (2) offers agreed with subcontractors and suppliers; and (3) estimation on material costs, labour costs and overheads.

Estimation of fair value of investment properties

The best evidence of fair value of investment properties is given by current prices in an active market for similar lease and other contracts. In the absence of relevant information, the management shall determine the relevant amount within the range of reasonable fair value estimates. The management's judgment will be based on market rental prices of similar properties under current leases in an active market and discounted cash flow projections based on reliable estimates of future cash flows using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows. Principal assumptions adopted by the Group in estimating fair values include market rents for similar properties at the same location and under the same conditions, discount rates, vacancy rates, projected future market rents and maintenance costs.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (Continued)

28. Change in accounting policies and estimates

New lease standard

In 2018, the Ministry of Finance promulgated the revised "Accounting Standards for Business Enterprises No. 21 – Leases" (referred to as "new lease standard"). The new lease standard adopts a single model like the current accounting treatment of financial leases, requiring the lessee to recognize right-of-use assets and lease liabilities for all leases other than short-term leases and low-value asset leases, and recognized depreciations and interest expenses, respectively. The Group began to adopt the newly revised lease standard for accounting treatment on 1 January 2019. According to the transitional requirements, the information for the comparable period will not be adjusted and the opening balance of retained earnings of 2019 will be retrospectively adjusted based on the difference between the new lease standard and the current lease standard on the date of initial adoption:

(1) For operating leases before the date of initial adoption, the Group presents the lease liabilities according to the discounted present value of the remaining amount of the lease payments at the incremental borrowing rate. The right-of-use assets is presented using the incremental borrowing interest rate of the Group being the lessee on the date of initial adoption as the carrying amount of the discount rate, assuming that the new lease standard is adopted from the commencement date of the lease term.

(2) The Group conducted impairment test on the right-of-use assets in accordance with the provisions on asset impairment in the accounting policies of the Group and conducted corresponding accounting treatment.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (Continued)

28. Change in accounting policies and estimates (Continued)

New lease standard (Continued)

The Group adopted simplified treatment for the operating leases whose leased assets are low-value assets or completed within 12 months before the date of initial adoption, and did not recognise the right-of-use asset and lease liability. In addition, the Group adopted the following simplified treatment for the operating leases prior to the date of initial adoption:

(1) When presenting the lease liabilities, the same discount rate may be adopted for leases with similar characteristics; the presentation of right-of-use assets may not include initial direct costs;

(2) Where a renewal option or a termination option is available to the lease, the Group determines the lease term based on the actual exercise of the option and other recent situations before the date of initial adoption;

For the minimum lease payments not made for the significant operating leases as disclosed in the 2018 financial statements, the Group adjusts the difference between the present value discounted at the incremental borrowing rate of the Group as the lessee on 1 January 2019 and the lease liabilities included in the balance sheet as at 1 January 2019, as follows:

	RMB'000
Minimum lease payments for significant operating leases as at 31 December 2018	25,124
Less: Minimum lease payments under simplified treatment	
Including: Leases with remaining lease term of less than 12 months	797
Minimum lease payments under new lease standard at as 1 January 2019	24,327
Weighted average of incremental borrowing rate as at 1 January 2019	7.42%
Lease liabilities at as 1 January 2019	18,561

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (Continued)

28. Change in accounting policies and estimates (Continued)

New lease standard (Continued)

The adoption of new lease standard has the following impact on items in the balance sheet as at 1 January 2019:

Consolidated balance sheet

	Balance sheet value *RMB'000*	Presumed value under original standard *RMB'000*	Impact on value *RMB'000*
Right-of-use assets	17,723	–	17,723
Non-current liabilities due within one year	(529,170)	(526,000)	(3,170)
Leased liabilities	(15,391)	–	(15,391)
	(526,838)	(526,000)	(838)

Company balance sheet

	Balance sheet value *RMB'000*	Presumed value under original standard *RMB'000*	Impact on value *RMB'000*
Right-of-use assets	27,226	–	27,226
Non-current liabilities due within one year	(182,078)	(174,000)	(8,078)
Leased liabilities	(21,030)	–	(21,030)
	(175,882)	(174,000)	(1,882)

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (Continued)

28. Change in accounting policies and estimates (Continued)

New lease standard (Continued)

The adoption of new lease standard has the following impact on the financial statements for January to June 2019:

Consolidated balance sheet

	Statement value *RMB'000*	**Presumed value under original standard** *RMB'000*	**Impact on value** *RMB'000*
Right-of-use assets	43,652	–	43,652
Non-current liabilities due within one year	(291,159)	(283,034)	(8,125)
Lease liabilities	(29,894)	–	(29,894)
	(277,401)	(283,034)	5,633

Consolidated income statement

	Statement value *RMB'000*	**Presumed value under original standard** *RMB'000*	**Impact on value** *RMB'000*
Administrative expenses	166,996	167,454	(458)
Finance costs	46,436	45,785	651
	213,432	213,239	193

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (Continued)

28. Change in accounting policies and estimates (Continued)

New lease standard (Continued)

Company balance sheet

	Statement value *RMB'000*	Presumed value under original standard *RMB'000*	Impact on value *RMB'000*
Right-of-use assets	23,192	–	23,192
Non-current liabilities due within one year	(55,409)	(47,000)	(8,409)
Lease liabilities	(16,743)	–	(16,743)
	(48,960)	(47,000)	(1,960)

Company income statement

	Statement value *RMB'000*	Presumed value under original standard *RMB'000*	Impact on value *RMB'000*
Administrative expenses	108,205	109,133	(928)
Finance costs	(730)	(1,734)	1,004
	107,475	107,399	76

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (Continued)

28. Change in accounting policies and estimates (Continued)

Changes in presentation of financial statement

To meet the requirements of the Notice on Revising and Issuing Format of 2019 Annual Financial Statements for General Business Enterprises (Cai Kuai [2019] No. 6)(《關於修訂印發2019年度一般企業財務報表格式的通知》(財會[2019]6號)), in the balance sheet, "bills and accounts payable" is split into "bills payable" and "accounts payable"; in the income statement, "research and development expenses" reflect the expenses incurred during the research and development process and the Group retrospectively adjusted the comparative data. This change in accounting policy has no effect on consolidation and the Company's net profit and shareholders' equity.

Major impacts of the retrospective adjustment arising from the changes in the accounting policies stated above on the financial statements are as follows:

The Group

January to June 2019

	Carrying amount presented according to the original standards 31 December 2018	Impacts of changes in presentation of financial statement	Carrying amount presented according to the new standards 1 January 2019
	RMB'000	*RMB'000*	*RMB'000*
Bills payable	–	217,213	217,213
Accounts payable	–	38,956,411	38,956,411
Bills and accounts payable	39,173,624	(39,173,624)	–

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (Continued)

28. Change in accounting policies and estimates (Continued)

Changes in presentation of financial statement (Continued)

The Group (Continued)

January to June 2018

	Carrying amount presented according to the original standards January to June 2018	**Other impacts of changes in presentation of financial statement**	**Carrying amount presented according to the new standards January to June 2018**
	RMB'000	*RMB'000*	*RMB'000*
Administrative expenses	190,740	(13,409)	177,331
Research and development expenses	–	13,409	13,409

The Company

January to June 2019

	Carrying amount presented according to the original standards 31 December 2018	**Other impacts of changes in presentation of financial statement**	**Carrying amount presented according to the new standards 1 January 2019**
	RMB'000	*RMB'000*	*RMB'000*
Bills payable	–	25,012	25,012
Accounts payable	–	25,089,615	25,089,615
Bills and accounts payable	25,114,627	(25,114,627)	–

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (Continued)

28. Change in accounting policies and estimates (Continued)

Changes in presentation of financial statement (Continued)

The Company (Continued)

January to June 2018

	Carrying amount presented according to the original standards January to June 2018 RMB'000	Other impacts of changes in presentation of financial statement RMB'000	Carrying amount presented according to the new standards January to June 2018 RMB'000
Administrative expenses	142,051	(11,153)	130,898
Research and development expenses	–	11,153	11,153

IV. TAXATION

Major categories of taxes and respective tax rates of the Group during the period are set out below:

Value-added tax (VAT)	–	All the Company and the domestic subsidiaries of the Company considered as general taxpayers of VAT, before 1 April 2019, output VAT is calculated by applying 6%, 10% or 16% to the taxable income, from 1 April 2019, output VAT is calculated by applying 6%, 9% or 13% to the taxable income, less deductible input VAT of the current period; other subsidiaries considered as small scale taxpayers of VAT, which is calculated by 3% to the taxable income.
City maintenance and construction tax	–	It is levied at 7% on the turnover taxes paid.
Educational surcharge	–	It is levied at 3% on the turnover taxes paid.
Local educational surcharge	–	It is levied at 2% on the turnover taxes paid.
Enterprise income tax (EIT)	–	It is levied at 25% on the taxable income. Each of the Company and its subsidiaries calculates and pays EIT as a legal entity at the location where it is registered.
Land appreciation tax	–	The land appreciation tax is levied at the ultra progressive tax rate based on the appreciation value from the property transfer.

V. SCOPE OF CONSOLIDATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

1. Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

	Principal place of business/ place of registration	Nature of business	Registered capital	Shareholding (%)		Proportion of votes (%)
				Direct	Indirect	
			RMB'000			
HCG Tianchen Construction Engineering Co., Ltd.	PRC/PRC	Infrastructure construction	230,000	87	13	100
Hebei Construction Group Decoration Engineering Co., Ltd.	PRC/PRC	Infrastructure construction	101,000	100	–	100
HCG Installment Engineering Co., Ltd.	PRC/PRC	Infrastructure construction	180,000	61	39	100
HCG Zhuocheng Road and Bridge Engineering Co., Ltd.	PRC/PRC	Infrastructure construction	105,000	95	5	100
Hebei Construction Group Wuhu Baojian Construction Co., Ltd.	PRC/PRC	Infrastructure construction	1,000	100	–	100
Dingzhou Tiande Environmental Science and Technology Co., Ltd.	PRC/PRC	Wastewater treatment	1,000	–	100	100
Baoding Zhongze Water Suppy Co., Ltd.	PRC/PRC	Water production and supply	50,000	75	–	75

V. SCOPE OF CONSOLIDATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Disposal of subsidiaries

The information of the significant disposed subsidiaries of the Group is as follows:

	Place of registration	Nature of business	Total equity interests attributable to the Group (%)	Total percentage of voting rights attributable to the Group (%)	Reason for ceasing to be a subsidiary
Zhongcheng Real Estate Development Co., Ltd.	PRC	Real estate development	100	100	*Note 1*
Baoding Tiane Real Estate Development Co., Ltd.	PRC	Real estate development	66	66	*Note 1*
Sanhe Jinshibang Real Estate Development Co., Ltd.	PRC	Real estate development	55	55	*Note 1*

Note 1: The Company and Zhongming Zhiye Co., Ltd. ("Zhongming Zhiye"), which is controlled by the same parent of the Company, entered into an equity transfer agreement on 17 May 2019, pursuant to which, the Company disposed its 100% equity interest in Zhongcheng Real Estate Development Co., Ltd., 66% equity interest in Baoding Tiane Real Estate Development Co., Ltd. and 55% equity interest in Sanhe Jinshibang Real Estate Development Co., Ltd., and acquired 100% equity interest in Hebei Construction Group Garden Engineering Co., Ltd. held by Zhongming Zhiye for a consideration of RMB9,903,000. Such reorganisation agreement was approved and became effective on the 2018 annual general meeting on 20 June 2019, and the disposal was completed on 24 June 2019. As such, since 24 June 2019, the Group ceased to incorporate Zhongcheng Real Estate Development Co., Ltd., Baoding Tiane Real Estate Development Co., Ltd. and Sanhe Jinshibang Real Estate Development Co., Ltd into the range of acquisition.

The above three disposed subsidiaries are the core companies of other segments of the Group, mainly engaged in real estate development business. The Group has decided to ceased from engaging in real estate development business, while focusing on construction project contractor and subcontractor business, therefore, the disposal of the three subsidiaries has caused the discontinued operation.

V. SCOPE OF CONSOLIDATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Disposal of subsidiaries (Continued)

Set out below are the relevant financial information of the disposed subsidiaries of the Group upon disposal:

Zhongcheng Real Estate Development Co., Ltd., Baoding Tiane Real Estate Development Co., Ltd. and Sanhe Jinshibang Real Estate Development Co., Ltd.	**Date of disposal Carrying amount** *RMB'000* (Unaudited)	**31 December 2018 Carrying amount** *RMB'000* (Restated)
Current assets	4,800,081	4,485,663
Non-current assets	1,101,783	988,268
Current liabilities	5,419,140	4,381,577
Non-current liabilities	96,360	746,360
	386,364	345,994
Non-controlling interests	353,486	338,620
Disposal consideration	195,139	
Including: Net assets in corporations under common control *(Note V-3)*	222,651	
Minority interests in corporations under common control *(Note V-3)*	(17,609)	
Cash consideration paid	(9,903)	
Add: Unrealized profits from intra-group transactions between the disposed subsidiaries and parent company	13,676	
Increase in capital reserve from disposal of subsidiaries	175,937	

V. SCOPE OF CONSOLIDATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Disposal of subsidiaries (Continued)

The operating results of the disposed subsidiaries of the Group since the beginning of the year to the date of disposal are as below:

	From the beginning of the year to the date of disposal *RMB'000* (Unaudited)
Operating revenue	149,194
Operating costs	104,100
Net profit	37,891

3. Business combination under common control

In June 2019, the Company acquired 100% equity interest in Hebei Construction Group Garden Engineering Co., Ltd. in a consideration of cash of RMB9,903,000 and 100% equity interest in Zhongcheng Real Estate Development Co., Ltd., 66% equity interest in Baoding Tiane Real Estate Development Co., Ltd. and 55% equity interest in Sanhe Jinshibang Real Estate Development Co., Ltd. Hebei Construction Group Garden Engineering Co., Ltd. is a wholly-owned subsidiary of Zhongming Zhiye Co., Ltd., a company controlled by the same parent company. As the parties to the combination are controlled by Zhongru Investment Co., Ltd. before and after the combination, and such control is not temporary, therefore, such combination is a business combination under common control, and the date of combination is determined as 24 June 2019.

The operating results for the current period of Hebei Construction Group Garden Engineering Co., Ltd. are as below:

	Period from the beginning of the current period to the date of consolidation *RMB'000* (Unaudited)
Operating revenue	572,638
Net profit	37,906
Net cash flow	(148,820)

V. SCOPE OF CONSOLIDATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Business combination under common control (Continued)

The carrying amount of assets and liabilities of Hebei Construction Group Garden Engineering Co., Ltd. on the date of combination and the balance sheet date of last accounting period are as follows:

	Date of consolidation *RMB'000* (Unaudited)	31 December 2018 *RMB'000* (Restated)
Currency funds	44,229	193,049
Financial assets held for trading	197,717	136,247
Inventories	41,234	44,340
Trade receivable	131,766	150,973
Prepayments	29,128	47,124
Contract assets	820,171	884,346
Other receivables	231,581	269,915
Other current assets	10,320	191
Fixed assets	644	450
Deferred tax assets	11,206	8,338
Construction in progress	-	1,315
Contract liabilities	(162,463)	(211,450)
Taxes payable	(22,559)	(116,899)
Trade payable	(683,404)	(862,451)
Employee benefits payable	(11,812)	(8,976)
Other payables	(237,984)	(136,767)
Non-current liabilities due within one year	(15,000)	(47,000)
Other current liabilities	(53,123)	-
Long-term borrowings	(109,000)	(108,000)
Total	222,651	244,745
Minority interests	17,609	15,248
	205,042	229,497
Combination considerations	29,105	

VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

1. Currency funds

	30 June 2019 *RMB'000* **(Unaudited)**	31 December 2018 *RMB'000* (Restated)
Cash on hand	**16,506**	28,893
Bank deposits	**3,501,805**	5,507,978
Other currency funds	**670,357**	1,151,307
	4,188,668	6,688,178

As at 30 June 2019, the Group's currency funds with title restrictions amounted to RMB53,372,000 (31 December 2018: RMB677,112,000). Please refer to Note VI.12.

2. Trade receivables

The trade receivables of the Group are mainly the construction contracting receivables, Trade receivables have a credit period of one to three months in general except for project quality deposits which have a credit period of two to five years subsequent to the completion of construction. Trade receivables are interest-free.

VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Trade receivables (Continued)

The ageing analysis of trade receivables is as follows:

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Restated)
Within 1 year	4,431,187	3,897,894
1 to 2 years	1,310,021	2,121,162
2 to 3 years	410,903	429,844
Over 3 years	356,515	255,482
	6,508,626	6,704,382
Less: Bad debt allowance on trade receivables	800,905	739,815
	5,707,721	5,964,567

Except for project quality deposits, the ageing of trade receivables was calculated since the invoice date.

Movements in bad debt allowance on trade receivables are as follows:

	Opening balance RMB'000	Accrual during the period/year RMB'000	Reversal during the period/year RMB'000	Closing balance RMB'000
As at six months ended				
30 June 2019 (Unaudited)	739,815	359,554	(298,464)	800,905
2018 (Restated)	533,011	374,929	(168,125)	739,815

VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Trade receivables (Continued)

The expected credit loss on trade receivables is as follows:

	30 June 2019 (Unaudited)			31 December 2018 (Restated)		
	Closing balance of estimated default	Expected credit loss rate	Expected credit loss for the entire duration	Closing balance of estimated default	Expected credit loss rate	Expected credit loss for the entire duration
	RMB'000	*(%)*	*RMB'000*	*RMB'000*	*(%)*	*RMB'000*
Within 1 year	**4,431,187**	**0.21**	**(9,174)**	3,897,894	0.33	(12,855)
1 to 2 years	**1,310,021**	**1.86**	**(24,313)**	2,121,162	1.96	(41,634)
2 to 3 years	**410,903**	**100.00**	**(410,903)**	429,844	100.00	(429,844)
3 to 4 years	**187,694**	**100.00**	**(187,694)**	60,665	100.00	(60,665)
4 to 5 years	**59,357**	**100.00**	**(59,357)**	77,111	100.00	(77,111)
Over 5 years	**109,464**	**100.00**	**(109,464)**	117,706	100.00	(117,706)
	6,508,626		**(800,905)**	6,704,382		(739,815)

As at 30 June 2019, the Group made bad debt allowance of RMB359,554,000 (31 December 2018: RMB374,929,000), and reversed bad debt allowance of RMB298,464,000 (31 December 2018: RMB168,125,000).

As at 30 June 2019, the Group's trade receivables with title restrictions amounted to RMB370,470,000 (31 December 2018: Nil). Please refer to Note VI.12.

VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Prepayments

The ageing analysis of prepayments is as follows:

	30 June 2019 *RMB'000* (Unaudited)	31 December 2018 *RMB'000* (Restated)
Within 1 year	**1,302,839**	1,317,526
1 to 2 years	**3,241**	15,000
2 to 3 years	**13,669**	32,124
	1,319,749	1,364,650

4. Other receivables

The ageing analysis of other receivables is as follows:

	30 June 2019 *RMB'000* (Unaudited)	31 December 2018 *RMB'000* (Restated)
Within credit period and 1 year	**1,665,218**	2,964,850
1 to 2 years	**558,136**	1,198,199
2 to 3 years	**111,728**	218,050
3 to 4 years	**28,507**	62,045
4 to 5 years	**4,502**	2,079
Over 5 years	**1,989**	2,415
	2,370,080	4,447,638
Less: Bad debt allowance on other receivables	**146,726**	230,226
	2,223,354	4,217,412

VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. Other receivables (Continued)

The movements of bad debt allowance on other receivables based on 12-month expected credit loss and the lifetime expected credit loss, respectively, are as follows:

	Stage 1 Expected credit losses in the next 12 months *RMB'000*	**Stage 3 Credit-impaired financial assets (Lifetime)** *RMB'000*	**Total** *RMB'000*
Balance as at 1 January 2019	**176,186**	**54,040**	**230,226**
Reversal during the period	**(20,434)**	**-**	**(20,434)**
Effect of disposal of subsidiaries	**(63,066)**	**-**	**(63,066)**
	92,686	**54,040**	**146,726**

	Stage 1 Expected credit losses in the next 12 months *RMB'000*	Stage 3 Credit-impaired financial assets (Lifetime) *RMB'000*	Total *RMB'000*
Balance as at 1 January 2018	94,783	237,746	332,529
– Reverse to Stage 1	183,706	(183,706)	–
Provision during the year	55,853	–	55,853
Reversal during the year	(158,156)	–	(158,156)
	176,186	54,040	230,226

VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. Other receivables (Continued)

Significant change on book balance of other receivables that affected the change in loss allowance during the period was: the carrying amount of other receivables at stage 1 decreased by RMB2,077,558,000, which was attributable to the increased efforts in payment collection and disposal of subsidiaries during the period, details of which are as follows:

	Stage 1 Expected credit losses in the next 12 months *RMB'000*	Stage 3 Credit-impaired financial assets (Lifetime) *RMB'000*	Total *RMB'000*
Balance as at 1 January 2019	4,393,598	54,040	4,447,638
Decrease during the year	(195,616)	-	(195,616)
Effects of disposal of subsidiaries	(1,881,942)	-	(1,881,942)
	2,316,040	54,040	2,370,080

VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. Other receivables (Continued)

Significant changes on book balance of other receivables that affected the change in loss allowance as at 31 December 2018 was: the carrying amount of other receivables at stage 3 decreased by RMB183,706,000 due to improvement of the debtor's financial conditions. The Group considered that corresponding amounts will be recovered, details of which are as follows:

	Stage 1 Expected credit losses in the next 12 months	Stage 3 Credit-impaired financial assets (Lifetime)	Total
	RMB'000	*RMB'000*	*RMB'000*
Balance as at 1 January 2018	3,882,484	237,746	4,120,230
– Reverse to Stage 1	183,706	(183,706)	–
Addition during the year	327,408	–	327,408
	4,393,598	54,040	4,447,638

VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. Contract assets

	30 June 2019 (Unaudited)			31 December 2018 (Restated)		
	Book balance *RMB'000*	Impairment provision *RMB'000*	Carrying amount *RMB'000*	Book balance *RMB'000*	Impairment provision *RMB'000*	Carrying amount *RMB'000*
Current segment						
– Completed but unsettled	41,982,138	(172,464)	41,809,674	38,171,029	(148,871)	38,022,158
Non-current segment						
– Service concession arrangement during construction	775,769	-	775,769	743,494	-	743,494
	42,757,907	(172,464)	42,585,443	38,914,523	(148,871)	38,765,652

Contract assets are mainly generated by the construction project contracting business of the Group. The Group provides construction services in accordance with the construction contract entered into with customers and recognizes revenue based on performance progress over the contract period. According to the contract term, customers of the Group make progress billings with the Group based on the performance progress and make payment for the progress billings within the credit term. Revenue recognized based on performance progress in excess of progress billings is presented as contract asset while progress billings in excess of revenue recognized based on performance progress is presented as contract liabilities.

The changes in the carrying amounts of contract assets include: (1) impairment of contract assets; (2) changes in the timing of the right to contract considerations becoming unconditional (i.e. contract assets are reclassified as receivables).

VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. Contract assets (Continued)

The changes in the impairment provision for contract assets are as follows:

	Opening balance for the period/year	Provision for the period/year	Reversal during the period/year	Closing balance for the period/year
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
For the six months ended 30 June 2019 (Unaudited)	148,871	158,165	(134,572)	172,464
31 December 2018 (Restated)	–	148,871	–	148,871

6. Other current assets

	30 June 2019	31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Restated)
Prepaid VAT	**32,017**	33,636
Prepaid EIT	**22,652**	27,069
Prepaid surcharges	**16,210**	19,997
Prepaid land appreciation tax	**-**	15,388
Others	**16,369**	19,247
	87,248	115,337

VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. Long-term equity investments

	30 June 2019 ***RMB'000*** **(Unaudited)**	31 December 2018 *RMB'000* (Restated)
Associates		
Qianwei County One Vertical and Two Horizontal Project Management Co., Ltd.	**56,885**	–
Rongcheng County Hengda Construction Investment Co., Ltd.	**29,137**	29,064
Bozhou Xiangju Construction Engineering Co., Ltd.	**16,252**	16,484
Zhongyuan Environmental Protection (Neihuang) LiangLi Ecological Construction Project Management Co., Ltd.	**2,511**	2,511
Guangan Zhongcheng Real Estate Development Co., Ltd.	**–**	442,895
Baoding Zhucheng Real Estate Development Co., Ltd.	**–**	117,746
Chengdu New Era Tiancheng Properties Co., Ltd.	**–**	68,856
Dalian Runtian Housing Development Co., Ltd.	**–**	48,163
Hebei Zitan Real Estate Development Co., Ltd.	**–**	19,943
Baoding Xiaoyan Culture Communication Co., Ltd.	**–**	1,404
Joint ventures		
Qinhuangdao Yuanji Road Construction Management Co., Ltd.	**299,472**	–
Beijing Rungucheng Investment Management Co., Ltd.	**1,500**	–
	405,757	747,066

VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. Long-term equity investments (Continued)

Key information of associates and joint ventures:

30 June 2019 (Unaudited):

	Principal place of business	Place of registration	Nature of business	Registered share capital *RMB'000*	Percentage of equity attributable to the Company *(%)*	Accounting treatment
Associates						
Qianwei County One Vertical and Two Horizontal Project Management Co., Ltd.	China	China	Road management	100,000	15	Equity Method
Rongcheng County Hengda Construction Investment Co., Ltd.	China	China	Construction investment	100,000	29	Equity Method
Bozhou Xiangju Construction Engineering Co., Ltd.	China	China	Construction management	150,000	11	Equity Method
Zhongyuan Environmental Protection (Neihuang) LiangLi Ecological Construction Project Management Co., Ltd.	China	China	Construction management	167,380	5	Equity Method
Joint ventures						
Qinhuangdao Yuanji Road Construction Management Co., Ltd.	China	China	Road management	200,000	49	Equity Method
Beijing Rungucheng Investment Management Co., Ltd.	China	China	Investment management	10,000	30	Equity Method

VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. Long-term equity investments (Continued)

31 December 2018 (Restated):

	Principal place of business	Place of registration	Nature of business	Registered share capital *RMB'000*	Percentage of equity attributable to the Company *(%)*	Accounting treatment
Associates						
Rongcheng Hengda Construction Investment Co., Ltd.	China	China	Infrastructure construction	100,000	29	Equity Method
Baoding Xiaoyan Culture Communication Co., Ltd.	China	China	Culture and media	5,800	31	Equity Method
Dalian Runtian Housing Development Co. Ltd.	China	China	Property development	494,000	15	Equity Method
Baoding Zhucheng Real Estate Development Co., Ltd.	China	China	Property development	20,010	51	Equity Method
Chengdu New Era Tiancheng Property Co., Ltd.	China	China	Property development	120,000	30	Equity Method
Guangan Zhongcheng Real Estate Development Co., Ltd.	China	China	Property development	50,000	30	Equity Method
Hebei Zitan Real Estate Development Co., Ltd.	China	China	Property development	50,000	40	Equity method
Bozhou Xiangju Construction Engineering Co., Ltd.	China	China	Construction management	150,000	11	Equity method
Zhongyuan Environmental Protection (Neihuang) LiangLi Ecological Construction Project Management Co., Ltd.	China	China	Construction management	167,380	5	Equity method

As at the balance sheet day, the management of the Group considers that no impairment provision is required for long-term equity investments.

VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. Long-term equity investments (Continued)

The significant joint venture of the Group, Qinhuangdao Yuanji Road Construction Management Co., Ltd., is mainly engaged in execution of road construction, it made use of equity method in calculation, the investment activities of the Group were not strategic.

The following table sets forth the financial information of Qinhuangdao Yuanji Road Construction Management Co., Ltd., such financial information was adjusted in accordance to the difference in accounting policies and adjusted to the carrying amounts of the financial statement:

	30 June 2019 *RMB'000*
Current assets	**657,133**
Including: Cash and cash equivalents	**317,508**
Non-current assets	**5,127**
Total assets	**662,260**
Current liabilities	**63,327**
Non-current liabilities	**-**
Total liabilities	**63,327**
Net assets	**598,933**
Including: Net assets attributable to the owner of the parent	**598,933**
Share of net assets as per shareholding	**296,472**
Adjusted matters	**3,000**
Carrying values of investment	**299,472**
Finance expenses – Interest income	**573**
Net profit	**(1,067)**
Total comprehensive income	**(1,067)**

VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. Long-term equity investments (Continued)

The following table sets forth the insignificant consolidated financial information of joint ventures:

	2019	2018
	RMB'000	*RMB'000*
Total carrying values of investment	**106,285**	747,066
Total amounts calculated as per shareholding as follows		
Net profit	**(10,582)**	(164,627)
Total comprehensive income	**(10,582)**	(164,627)

8. Other equity instrument investments

30 June 2019 (Unaudited)

	Cost	**Accumulated fair value changes through other comprehensive income**	**Fair value**	**Equity instruments held by dividend income for the year**	**Reason of measuring at fair value through other comprehensive income**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	
Baoding Commercial Bank Co., Ltd.	**445,500**	**99,500**	**545,000**	**-**	**Strategic investment**
Baoding Taihang Heyi Cement Co., Ltd.	**40,000**	**67,000**	**107,000**	**18,500**	**Strategic investment**
Qinhuangdao Smooth Road Construction and Management Co., Ltd.	**3,000**	**500**	**3,500**	**-**	**Strategic investment**
Hebei Xiongan Rongxi Cement Co., Ltd.	**1,958**	**-**	**1,958**	**-**	**Strategic investment**
China Risun Group Co., Ltd	**111,887**	**2,540**	**114,427**	**-**	**Strategic investment**
	602,345	**169,540**	**771,885**	**18,500**	

VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8. Other equity instrument investments (Continued)

31 December 2018 (Restated)

	Cost RMB'000	Accumulated fair value changes through other comprehensive income RMB'000	Fair value RMB'000	Equity Instruments held by dividend income for the year RMB'000	Reason of measuring at fair value through other comprehensive income
Baoding Commercial Bank Co., Ltd.	445,500	47,500	493,000	–	Strategic investment
Baoding Taihang Heyi Cement Co., Ltd.	40,000	33,700	73,700	27,844	Strategic investment
Qinhuangdao Smooth Road Construction and Management Co., Ltd.	3,000	–	3,000	–	Strategic investment
	488,500	81,200	569,700	27,844	

VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9. Fixed assets

January to June 2019 (Unaudited)

	Buildings RMB'000	Machinery equipment RMB'000	Vehicles RMB'000	Office equipment and others RMB'000	Total RMB'000
Cost					
Opening balance	290,650	159,302	85,866	97,457	633,275
Acquisitions	3,530	2,144	1,660	769	8,103
Transfer from construction in progress	5,262	-	-	-	5,262
Disposal or retirement	(576)	(1,130)	(1,213)	(354)	(3,273)
Disposal of subsidiaries	(8,378)	-	(9,092)	(3,802)	(21,272)
Closing balance	290,488	160,316	77,221	94,070	622,095
Accumulated depreciation					
Opening balance	25,709	89,436	67,263	75,128	257,536
Provision	8,682	8,271	5,301	1,415	23,669
Disposal or retirement	(22)	(1,078)	(1,153)	(265)	(2,518)
Disposal of subsidiaries	(2,307)	-	(7,340)	(3,252)	(12,899)
Closing balance	32,062	96,629	64,071	73,026	265,788
Carrying amount					
At the end of the period	258,426	63,687	13,150	21,044	356,307
At the beginning of the period	264,941	69,866	18,603	22,329	375,739

VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9. Fixed assets (Continued)

Year 2018 (Restated)

	Buildings *RMB'000*	Machinery equipment *RMB'000*	Vehicles *RMB'000*	Office equipment and others *RMB'000*	Total *RMB'000*
Cost					
Opening balance	264,194	157,614	103,644	80,707	606,159
Acquisitions	37,731	13,914	3,751	21,293	76,689
Disposal or retirement	(11,275)	(12,226)	(21,529)	(1,097)	(46,127)
Disposal of subsidiaries	–	–	–	(3,446)	(3,446)
Closing balance	290,650	159,302	85,866	97,457	633,275
Accumulated depreciation					
Opening balance	16,854	81,818	76,420	61,300	236,392
Provision	9,705	14,609	7,932	16,167	48,413
Disposal or retirement	(850)	(6,991)	(17,089)	(852)	(25,782)
Disposal of subsidiaries	–	–	–	(1,487)	(1,487)
Closing balance	25,709	89,436	67,263	75,128	257,536
Carrying amount					
At the end of the year	264,941	69,866	18,603	22,329	375,739
At the beginning of the year	247,340	75,796	27,224	19,407	369,767

As at 30 June 2019, no ownership of buildings are restricted (31 December 2018: RMB6,206,000). Please refer to Note VI.12.

As at the balance sheet day, the management of the Group considers that no impairment provision is required for fixed assets.

VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10. Right-of-use assets

January to June 2019 (Unaudited)

	Buildings *RMB'000*	Machinery equipment *RMB'000*	Total *RMB'000*
Cost			
Closing balance of last year	-	-	-
Changes in accounting policies	22,645	-	22,645
Opening balance	22,645	-	22,645
Addition	160	27,907	28,067
Closing balance	22,805	27,907	50,712
Accumulated depreciation			
Closing balance of last year	-	-	-
Changes in accounting policies	4,922	-	4,922
Opening balance	4,922	-	4,922
Provision	1,819	319	2,138
Closing balance	6,741	319	7,060
Carrying amount			
At the end of the period	16,064	27,588	43,652
At the beginning of the period	17,723	-	17,723

As at the balance sheet day, the management of the Group considers that no impairment provision is required for right-of-use assets.

VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

11. Asset impairment provisions

January to June 2019 (Unaudited)

	Opening balance RMB'000	Provision for the year RMB'000	Decrease during the year: Reversal RMB'000	Decrease during the year: Decrease due to disposal of subsidiaries RMB'000	Closing balance RMB'000
Bad debt allowance	**970,041**	**359,554**	**(318,898)**	**(63,066)**	**947,631**
Impairment provision for contract assets	**148,871**	**158,165**	**(134,572)**	**-**	**172,464**
	1,118,912	**517,719**	**(453,470)**	**(63,066)**	**1,120,095**

Year 2018 (Restated)

	Opening balance RMB'000	Provision for the year RMB'000	Decrease during the year: Reversal RMB'000	Closing balance RMB'000
Bad debt allowance	865,540	430,782	(326,281)	970,041
Impairment provision for contract assets	–	148,871	–	148,871
	865,540	579,653	(326,281)	1,118,912

VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

12. Assets with restricted ownership

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Restated)	
Currency funds	53,372	677,112	*Note 1*
Inventories	-	293,603	*Note 2*
Accounts receivable	370,470	–	*Note 3*
Fixed assets	-	6,206	*Note 4*
Construction in progress	137,402	177,511	*Note 5*
Other equity instrument investments	55,617	–	*Note 6*
	616,861	1,154,432	

Note 1: As at 30 June 2019, the Group's currency funds with restricted ownership included bill deposits of RMB20,322,000, letters of guarantee of RMB22,901,000 and other restricted funds of RMB10,149,000; as at 31 December 2018, the Group's currency funds with restricted ownership included guarantee deposits for bank borrowings of RMB472,835,000, bill deposits of RMB98,717,000, guarantee deposits for mortgage loans of RMB81,944,000 and letters of guarantee of RMB23,616,000.

Note 2: As at 31 December 2018, the Group obtained bank borrowings secured by inventories with the carrying amount of RMB293,603,000.

Note 3: As at 30 June 2019, the Group obtained bank borrowings pledged by accounts receivable with the carrying amount of RMB370,470,000.

Note 4: As at 31 December 2018, the Group obtained bank borrowings secured by fixed assets with the carrying amount of RMB6,206,000.

Note 5: As at 30 June 2019, the Group obtained bank borrowings secured by construction in progress with the carrying amount of RMB137,402,000; as at 31 December 2018, the Group obtained bank borrowings, secured by construction in progress with the carrying amount of RMB177,511,000.

Note 6: As at 30 June 2019, the Group obtained bank borrowings pledged by other equity instrument investments with the carrying amount of RMB55,617,000.

VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13. Short-term borrowings

	30 June 2019 *RMB'000* (Unaudited)	31 December 2018 *RMB'000* (Restated)
Guaranteed loans	**744,000**	455,770
Unsecured loans	**680,000**	998,000
Loans secured by pledges	**156,670**	–
Loans secured by mortgages	**156,000**	182,000
	1,736,670	1,635,770

As at 30 June 2019, interest rates of the above borrowings ranged from 4.7% to 10% per annum (31 December 2018: 4.7%-10%).

14. Accounts payable

Accounts payable are non-interest bearing and are generally settled within an agreed period.

The ageing analysis of accounts payable is as follows:

	30 June 2019 *RMB'000* (Unaudited)	31 December 2018 *RMB'000* (Restated)
Within 1 year	**24,777,193**	28,848,884
1 to 2 years	**7,518,547**	8,032,785
2 to 3 years	**2,241,161**	1,474,833
Over 3 years	**1,281,751**	599,909
	35,818,652	38,956,411

The ageing of accounts payable was calculated since the date the procurement was recognized.

VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15. Other current liabilities

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Restated)
VAT amounts to be transferred to output	2,842,875	2,733,222
Financial guarantee contracts	–	898
	2,842,875	2,734,120

16. Long-term borrowings

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Restated)
Guaranteed loans	2,084,881	155,000
Loans secured by mortgages	155,830	446,360
Loans secured by pledges	55,617	–
Unsecured loans	–	1,398,090
	2,296,328	1,999,450
Less: Long-term borrowings due within one year	283,034	526,000
	2,013,294	1,473,450

As at 30 June 2019, interest rates of the above borrowings are 5.2% to 12.0% per annum (31 December 2018: 5.2%-12.0%).

VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17. Lease liabilities

	30 June 2019 *RMB'000* **(Unaudited)**
Lease liabilities of machinery equipment	**20,922**
Lease liabilities of buildings	**17,097**
	38,019
Less: Lease liabilities due within one year	**8,125**
	29,894

18. Share capital

	30 June 2019 (Unaudited)		31 December 2018 (Restated)	
	RMB'000	*Proportion*	*RMB'000*	*Proportion*
Zhongru Investment Co., Ltd.	**1,202,500**	**68.27%**	1,202,500	68.27%
Overseas listed foreign shares ("H share")	**461,384**	**26.19%**	461,384	26.19%
Qianbao Investment Co., Ltd.	**97,500**	**5.54%**	97,500	5.54%
	1,761,384	**100%**	1,761,384	100%

VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

19. Capital reserve

January to June 2019 (Unaudited)

	Opening balance *RMB'000*	Increase during the period *RMB'000*	Decrease during the period *RMB'000*	Closing balance *RMB'000*
Share premium	**1,462,156**	**-**	**-**	**1,462,156**
Combination under common control	**124,776**	**-**	**29,105**	**95,671**
	1,586,932	**-**	**29,105**	**1,557,827**

Year 2018 (Restated)

	Opening balance *RMB'000*	Increase during the period *RMB'000*	Decrease during the period *RMB'000*	Closing balance *RMB'000*
Share premium	1,388,526	73,630	–	1,462,156
Combination under common control	124,776	–	–	124,776
	1,513,302	73,630	–	1,586,932

VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

20. Retained earnings

	January to June 2019 *RMB'000* **(Unaudited)**	Year 2018 *RMB'000* (Restated)
Retained earnings at the end of last year	**1,625,641**	606,270
Business combinations under common control	**76,388**	40,747
Changes in accounting policies	**(838)**	–
Opening balance for the year	**1,701,191**	647,017
Add: Net profit attributable to owners of the parent	**553,222**	1,154,039
Less: Appropriation to statutory surplus reserve	**-**	99,027
Cash dividends payable	**588,415**[Note 1]	–
Retained earnings at the end of the period/year	**1,665,998**	1,702,029

Note 1: (1) Pursuant to the resolution at the AGM on 20 June 2019, the Group declared a cash dividend of RMB0.30 (tax included) for each share, which amounted to RMB528,415,050 (tax included) based on the total share capital of the Company as at 31 December 2018. As at 30 June 2019, such cash dividend had not been paid; (2) Hebei Construction Group Garden Engineering Co., Ltd. declared the distribution of cash dividend to the original shareholders of RMB60,000,000 on 10 May 2019. As at 30 June 2019, such cash dividend was paid in full.

For the impact to retained earnings at the beginning of the period caused by the changes in accounting policies, refer to Note III.28.

VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

21. Operating revenue

The operating revenue is as follows:

	January to June 2019 *RMB'000* (Unaudited)	January to June 2018 *RMB'000* (Restated)
Revenue from major business	**19,908,086**	19,332,468
Revenue from other business	**389,068**	433,548
	20,297,154	19,766,016

The operating revenue is as follows:

	January to June 2019 *RMB'000* (Unaudited)	January to June 2018 *RMB'000* (Restated)
Building construction	**14,124,266**	12,462,076
Infrastructure construction	**3,668,684**	5,058,633
Specialized and other construction	**2,115,136**	1,811,759
Sales of commercial housing	**149,194**	226,831
Rental income, sales of goods and others	**239,874**	206,717
	20,297,154	19,766,016

VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

21. Operating revenue (Continued)

Construction contract is as follows:

January to June 2019

	Total amount RMB'000	Accumulative incurred costs RMB'000	Accumulative recognized gross profit RMB'000	Settlement amount RMB'000
Fixed price contract	**379,700,704**	**263,293,745**	**14,829,807**	**246,650,236**

January to June 2018

	Total amount RMB'000	Accumulative incurred costs RMB'000	Accumulative recognized gross profit RMB'000	Settlement amount RMB'000
Fixed price contract	304,817,494	219,141,316	12,664,018	201,528,136

Rental income is as follows:

	January to June 2019 RMB'000 (Unaudited)	January to June 2018 RMB'000 (Restated)
Operating lease	**8,790**	4,438

VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

21. Operating revenue (Continued)

Breakdown of operating revenue generated by contracts with customers

January to June 2019 (Unaudited)

Reporting segment	Construction *RMB'000*	Others *RMB'000*	Total *RMB'000*
Major operating regions			
China (excluding Hong Kong, Macau and Taiwan)	19,476,267	812,097	20,288,364
Major products			
Building construction	14,124,266	-	14,124,266
Infrastructure construction	3,644,648	24,036	3,668,684
Specialized and other construction	1,542,498	572,638	2,115,136
Sales of commercial housing	-	149,194	149,194
Sales of goods and others	164,855	66,229	231,084
	19,476,267	812,097	20,288,364
Timing of revenue recognition			
At a point of time			
Sales of commercial housing	-	149,194	149,194
Sales of goods and others	164,855	66,229	231,084
Within a period of time			
Building construction	14,124,266	-	14,124,266
Infrastructure construction	3,644,648	24,036	3,668,684
Specialized and other construction	1,542,498	572,638	2,115,136
	19,476,267	812,097	20,288,364

VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

21. Operating revenue (Continued)

Breakdown of operating revenue generated by contracts with customers (Continued)

January to June 2018 (Restated)

Reporting segment	Construction *RMB'000*	Others *RMB'000*	Total *RMB'000*
Major operating regions			
China (excluding Hong Kong, Macau and Taiwan)	18,783,088	978,490	19,761,578
Major products			
Building construction	12,462,076	–	12,462,076
Infrastructure construction	4,855,183	203,450	5,058,633
Specialized and other construction	1,332,026	479,733	1,811,759
Sales of commercial housing	–	226,831	226,831
Sales of goods and others	133,803	68,476	202,279
	18,783,088	978,490	19,761,578
Timing of revenue recognition			
At a point of time			
Sales of commercial housing	–	226,831	226,831
Rental income, sales of goods and others	133,803	68,476	202,279
Within a period of time			
Building construction	12,462,076	–	12,462,076
Infrastructure construction	4,855,183	203,450	5,058,633
Specialized and other construction	1,332,026	479,733	1,811,759
	18,783,088	978,490	19,761,578

VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

21. Operating revenue (Continued)

Information about the remaining performance obligations and expected revenue recognition of contracts as of 30 June 2019

	Total
	RMB'000
	(Unaudited)
Building construction	**61,334,459**
Infrastructure construction	**18,457,955**
Specialized and other construction	**12,798,410**
	92,590,824

Information about the remaining performance obligations and expected revenue recognition of contracts as of 30 June 2018

	Total
	RMB'000
	(Restated)
Building construction	52,345,875
Infrastructure construction	14,671,826
Specialized and other construction	7,360,526
Sales of commercial housing	165,255
	74,543,482

VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

21. Operating revenue (Continued)

The remaining performance obligations of contracts of the Group is mainly associated with the construction contracts of the Group. The remaining performance obligations of contracts are expected to be recognized as revenue according to the construction progress of the construction contracts in next 6 months to 3 years. The remaining performance obligations of contracts of the Group is mainly associated with the construction and pre-sale property contracts of the Group. The remaining performance obligations of contracts are expected to be recognized as revenue according to the construction progress of the construction contracts in next 6 months to 3 years.

22. Finance expenses

	January to June 2019 ***RMB'000*** **(Unaudited)**	January to June 2018 *RMB'000* (Restated)
Interest expenses	**191,562**	183,245
Including: Lease liabilities interest expenses	**864**	–
Less: capitalized interest expenses	**68,174**	60,185
Less: Interest income	**81,472**	109,683
Exchange losses	**4,520**	32,610
	46,436	45,987

Capitalized borrowing costs amounted to RMB68,174,000 (January to June 2018: RMB60,185,000), in which RMB4,046,000 is included in construction in progress (January to June 2018: RMB10,477,000) and RMB64,128,000 is included in inventories (January to June 2018: RMB49,708,000).

VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

22. Finance expenses (Continued)

Breakdown of interest income is as follows:

	January to June 2019 ***RMB'000*** **(Unaudited)**	January to June 2018 *RMB'000* (Restated)
Capital placement interest income	**63,717**	100,380
Deposits interest income	**9,731**	9,303
Realized financial income	**8,024**	–
	81,472	109,683

23. Investment income

	January to June 2019 ***RMB'000*** **(Unaudited)**	January to June 2018 *RMB'000* (Restated)
Gains/(losses) on long-term equity investments accounted under equity method	**10,054**	(24,383)
Dividend income of other equity instrument investments held	**18,536**	27,844
	28,590	3,461

VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

24. Credit impairment losses

	January to June 2019 ***RMB'000*** **(Unaudited)**	January to June 2018 *RMB'000* (Restated)
Bad debt losses on accounts receivable	**61,090**	20,840
Bad debt losses on other receivables	**(20,434)**	10,727
Impairment loss for contract assets	**23,593**	–
	64,249	31,567

25. Income tax expenses

	January to June 2019 ***RMB'000*** **(Unaudited)**	January to June 2018 *RMB'000* (Restated)
Current income tax expenses	**190,900**	235,162
Deferred income tax income	**(22,693)**	(37,462)
	168,207	197,700

VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

25. Income tax expenses (Continued)

The relationship between income tax expenses and the total profit is as follows:

	January to June 2019 ***RMB'000*** **(Unaudited)**	January to June 2018 *RMB'000* (Restated)
Total profit	**736,346**	677,790
Income tax expenses at the statutory tax rate (25%)	**184,087**	169,448
Share of profits or losses of joint ventures and associates	**(2,513)**	6,096
Income not subject to tax	**(4,634)**	(6,961)
Non-deductible expenses	**2,253**	5,614
Unrecognized deductible temporary differences and deductible losses	**3,340**	21,024
Adjustment of difference in approved profit rate of subsidiaries	**(8,021)**	2,479
Bonus deduction allowance of Research and development expenses	**(6,305)**	–
Income tax expense at the Group's effective rate	**168,207**	197,700

VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

26. Earnings per share

	Six months ended 30 June 2019	Six months ended 30 June 2018
	RMB/Share	*RMB/Share*
	(Unaudited)	(Restated)
Basic earnings/(losses) per share		
Continuing operations	**0.30**	0.45
Discontinued operations	**0.01**	(0.15)

Basic earnings per share are calculated by dividing the net profit for the year attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares in issue. The number of newly issued ordinary shares is determined according to the specific terms of the issue contract and calculated from the date of consideration receivable (normally the stock issue date).

The calculation of the basic earnings per share and diluted earnings per share is as follows:

	Six months ended 30 June 2019	Six months ended 30 June 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Restated)
Revenue		
Net profit/loss for the year attributable to ordinary shareholders of the Company		
Continuing operations	**527,723**	791,964
Discontinued operations	**25,499**	(263,564)
	553,222	528,400
Shares		
Weighted average number of ordinary shares in issue of the Company	**1,761,383,500**	1,760,538,173

The Company had no dilutive potential ordinary shares, therefore diluted earnings per share equals to basic earnings per share.

VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

27. Cash flow from operating activities

(1) Reconciliation of net profit to cash flows generated from operating activities:

	January to June 2019 ***RMB'000*** **(Unaudited)**	January to June 2018 *RMB'000* (Unaudited)
Net profit	**568,139**	480,090
Add: Credit impairment loss	**64,249**	31,567
Losses/(gains) of changes in fair value	**7,994**	(907)
Issue expenses of H shares	**-**	9,065
Depreciation of right-of-use assets	**2,138**	–
Depreciation of fixed assets	**23,669**	22,484
Amortisation of intangible assets	**2,316**	399
Decrease in short-term financial guarantee contracts	**(292)**	–
Finance expenses	**54,460**	13,377
Investment gains	**(28,590)**	(3,461)
Increase in deferred income tax assets	**(22,694)**	(42,188)
Increase in inventories	**(221,060)**	(1,493,040)
Increase in operating receivables	**(4,263,218)**	(753,798)
Increase in operating payables	**2,121,853**	798,298
Others	**-**	51,549
Net cash flows used in operating activities	**(1,691,036)**	(886,565)

VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

27. Cash flow from operating activities (Continued)

(2) Cash flow information related to leasing:

	January to June 2019 *RMB'000* **(Unaudited)**
Cash inflows related to leasing	**11,990**
Cash outflows related to leasing	**14,409**

28. Cash and cash equivalents

	30 June 2019 *RMB'000* **(Unaudited)**	31 December 2018 *RMB'000* (Restated)
Cash	**4,188,668**	6,688,178
Including: Cash on hand	**16,506**	28,893
Bank deposits on demand	**3,501,805**	5,294,413
Other currency funds on demand	**616,985**	687,760
Less: Restricted cash and cash equivalents of the Company or subsidiaries of the Group	**53,372**	677,112
Closing balance of cash and cash equivalents	**4,135,296**	6,011,066

VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

28. Cash and cash equivalents (Continued)

Cash and cash equivalents

	January to June 2019 *RMB'000* (Unaudited)	2018 *RMB'000* (Restated)
Closing balance of cash for the period/year	**4,135,296**	6,011,066
Less: Opening balance of cash for the period/year	**6,011,066**	5,406,814
Net(decrease)/increase in cash and cash equivalents	**(1,875,770)**	604,252

VII. SEGMENT REPORT

1. Operating segments

For management purposes, the Group is organized into operating segments 2 operating segments as follows based on their products and services:

(1) The construction contracting segment mainly engages in construction general contracting and subcontracting business;

(2) The "others" segment mainly includes property development, service concession arrangements and other services of the Group.

The management monitors the results of the operating segments separately for the purpose of decision making regarding resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit. The indicator is measured consistently with the Group's total profit from continuing operations.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties.

VII. SEGMENT REPORT (Continued)

1. Operating segments (Continued)

January to June 2019 (Unaudited)

	Construction contracting *RMB'000*	Others *RMB'000*	Adjustment and offset *RMB'000*	Total *RMB'000*
Sales to external customers	19,476,266	820,888	-	20,297,154
Intersegment sales	158,138	39,759	(197,897)	-
(Losses)/gains on investments in joint ventures and associates	(699)	10,753	-	10,054
Credit impairment losses/(reversal)	104,631	(40,382)	-	64,249
Depreciation and amortization	11,463	16,660	-	28,123
Total profit	669,702	73,718	(7,074)	736,346
Total assets	70,673,633	3,762,118	(14,982,703)	59,453,048
Total liabilities	64,351,487	2,351,549	(12,850,357)	53,852,679
Other disclosures				
Long-term equity investments in associates and joint ventures	75,647	330,110	-	405,757
Increase in non-current assets other than long-term equity investments	9,998	21,728	-	31,726

VII. SEGMENT REPORT (Continued)

1. Operating segments (Continued)

January to June 2018 (Restated)

	Construction contracting *RMB'000*	Others *RMB'000*	Adjustment and offset *RMB'000*	Total *RMB'000*
Sales to external customers	18,783,088	982,928	–	19,766,016
Intersegment sales	352,949	34,569	(387,518)	–
Losses on investments in associates	–	(24,383)	–	(24,383)
Credit impairment (reversal)/losses	(147,204)	178,771	–	31,567
Depreciation and amortization	16,607	6,242	–	22,849
Total profit	1,055,574	(311,435)	(66,349)	677,790
Total assets	59,723,840	8,210,540	(12,906,332)	55,028,048
Total liabilities	53,845,118	6,714,753	(10,728,010)	49,831,861
Other disclosures	–	314,267	–	314,267
Increase in non-current assets other than long-term equity investments	140,269	11,429	–	151,698

VII. SEGMENT REPORT (Continued)

2. Other information

Geographical information

Revenue from external transactions

As all of the Group's revenue is derived from customers in Mainland China, no further information of geographical segments is required. Revenue from external transactions is analysed by geographic locations where the customers are located.

Total non-current assets

All non-current assets held by the Group are are located in Mainland China. Non-current assets are analysed by geographic locations where the assets are located, excluding financial assets and deferred tax assets.

Information of major customers

No operating revenue from a single customer amounted to more than 10% of the Group's revenue.

VIII. FINANCIAL INSTRUMENTS AND THEIR RISKS

1. Classification of financial instruments

The carrying amounts of financial instruments at the balance sheet date are as follows:

30 June 2019 (Unaudited)

Financial assets

	Measured at fair value through total comprehensive income designated	Measured at amortized cost	Financial assets at fair value through profit and loss designated	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Currency funds	-	4,188,668	-	4,188,668
Held-for-trading financial assets	1,184,235	-	-	1,184,235
Accounts receivable	-	5,707,721	-	5,707,721
Other receivables	-	2,223,354	-	2,223,354
Other equity investments	-	-	771,885	771,885
	1,184,235	12,119,743	771,885	14,075,863

Financial liabilities

	Financial liabilities at amortized cost
	RMB'000
Short-term borrowings	1,736,670
Bills payable	285,855
Accounts payable	35,818,652
Other payables	4,900,875
Non-current liabilities due within one year	291,159
Long-term borrowings	2,013,294
	45,046,505

VIII. FINANCIAL INSTRUMENTS AND THEIR RISKS (Continued)

1. Classification of financial instruments (Continued)

31 December 2018 (Restated)

Financial assets

	Financial assets at fair value through profit and loss	Measured at amortized cost	Measured at fair value through total comprehensive income	Total
	Requirement of standards		Requirement of standards	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Currency funds	–	6,688,178	–	6,688,178
Held-for-trading financial assets	729,586	–	–	729,586
Accounts receivable	–	5,964,567	–	5,964,567
Other receivables	–	4,217,412	–	4,217,412
Other equity investments	–	–	569,700	569,700
	729,586	16,870,157	569,700	18,169,443

Financial liabilities

	Financial liabilities at amortized cost
	RMB'000
Short-term borrowings	1,635,770
Bills payable	217,213
Accounts payable	38,956,411
Other payables	4,949,029
Other current liabilities	898
Non-current liabilities due within one year	526,000
Lease liabilities	29,894
Long-term borrowings	1,473,450
	47,758,771

VIII. FINANCIAL INSTRUMENTS AND THEIR RISKS (Continued)

2. Transfer of financial assets

Financial assets being transferred but not derecognised

As at 30 June 2019,the carrying amount of bank acceptance bills endorsed to suppliers for settlement of accounts payable amounted to RMB624,044,000 (31 December 2018: RMB327,091,000). The Group considers that it has retained substantially all the risks and rewards, including default risks relating to such bills. Accordingly, the bills and relevant settled amounts payable are fully recognised. Subsequent to the endorsement, the Group did not retain any rights on the use of the Endorsed Bills, including the right of sale, transfer or pledge of the bills to any other third parties.

Transferred financial assets that are derecognised with continuing involvement

As at 30 June 2019,the carrying amount of bank acceptance bills endorsed to suppliers for settlement of accounts payable amounted to RMB131,095,000 (31 December 2018: RMB653,961,000). As at 30 June 2019, the bills has a maturity of 1 to 6 months. In accordance with the Negotiable Instruments Law, holders of the bills have a right of recourse against the Group if the acceptance bank refused the payment (the "Continuing Involvement"). In the opinion of the Group, the Group has transferred substantially all risks and rewards. Accordingly, the carrying amount of account payables settled by the bills were derecognised. In the opinion of the Group, the fair value of the Group's Continuing Involvement is not significant.

During the six months ended 30 June 2019, the Group has not recognised any gain or loss on the date of transfer of the bills. No gains or losses were recognised from the Continuing Involvement, both during the year or cumulatively. The endorsement has been made evenly throughout the period.

VIII. FINANCIAL INSTRUMENTS AND THEIR RISKS (Continued)

3. Financial instruments risks

The main risks arising from the Group's financial instruments are credit risk, liquidity risk, and market risk. In this regard, the Group's risk management policies are outlined below.

Credit risk

According to the policies of the Group, credit risk assessment will be conducted when accepting new customers and a credit risk exposure limit for individual customer will be set. There are no significant concentrations of credit risk within the Group.

The maximum credit risk exposure of the Group's financial assets equals to their carrying amounts. The Group is also exposed to credit risk for providing financial guarantees, details of which are disclosed in Note XI.

Determination of significant increase in credit risk

At each date of statement of financial position, the Group determines whether the credit risk of a financial asset has increased significantly since initial recognition. When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the date of statement of financial position with the risk of default as at the date of initial recognition, based on a single financial asset or classes of financial assets with similar credit risks characteristics.

VIII. FINANCIAL INSTRUMENTS AND THEIR RISKS (Continued)

3. Financial instruments risks (Continued)

Credit risk (Continued)

Determination of significant increase in credit risk (Continued)

The Group determines that the credit risk of financial assets has significantly increased when one or more of the following quantitative or qualitative criteria below are met:

- quantitative criteria mainly include increase of probability of default by a given percentage since initial recognition;

- qualitative criteria mainly include significant detrimental changes in the borrower's operating or financial conditions and early warning customer lists

Definition of credit-impaired financial assets

In assessing whether a financial asset is credit-impaired, the Group considers both quantitative and qualitative indicators and adopts the standard of determination in line with internal credit risk management goal of the relevant financial instruments. The Group assesses whether a financial asset is credit-impaired by considering the following factors:

- significant financial difficulty of the issuer or borrower;

- a breach of contract by the borrower, such as a default or past due event;

- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;

- the disappearance of an active market for the financial asset because of financial difficulties of the issuer or borrower;

- financial assets purchased or sourced at large discounts indicating credit losses have occurred.

VIII. FINANCIAL INSTRUMENTS AND THEIR RISKS (Continued)

3. Financial instruments risks (Continued)

Credit risk (Continued)

Definition of credit-impaired financial assets (Continued)

The impairment of financial assets may not be necessarily due to a single discrete event. The combined effects of multiple events may result in financial assets being credit-impaired.

Parameters of the expected credit loss model

Based on whether there is a significant increase in credit risk and whether the financial assets are credit-impaired, the Group recognises impairment allowance for different assets using either 12-month expected credit losses or lifetime expected credit losses. The measurement of expected credit loss model is a function of the probability of default, the loss given default and the exposure at default as key parameters. The Group establishes the model of the probability of default, the loss given default and the exposure at default by considering the quantitative analysis of historical statistics such as the counterparty rating, guarantee method, collateral category, repayment method and forward-looking information.

Definitions are as follows:

- The probability of default is the probability that the debtor will not be able to meet its repayment obligations within the following 12 months or throughout the remaining duration. To reflect the macro-economic expected credit loss environment conditions, the Group's assessment of the probability of default is based on the calculation of expected credit loss model adjusted by forward-looking information;

- The loss given default refers to the Group's expectation of the extent of the loss of default risk exposure. The loss given default varies depending on the type of counterparty, the way and priority of recourse, and the type of collateral. The loss given default is the percentage of the risk exposure loss at the time of default, calculated on the basis of the next 12 months or the entire duration.

- The exposure at default refers to the amount that the Group should be repaid in the event of default in the next 12 months or throughout the remaining period.

VIII. FINANCIAL INSTRUMENTS AND THEIR RISKS (Continued)

3. Financial instruments risks (Continued)

Credit risk (Continued)

Forward-looking information

The assessment of a significant increase in credit risk and calculation of expected credit losses both involve forward-looking information. The Group identifies key economic ratios that influence credit risk and expected credit losses by historical data analysis.

For information on exposure at default of accounts receivable and contract assets, please refer to Notes VI-2 and VI-5. The Group is also exposed to credit risk for providing financial guarantees, details of which are disclosed in Note XI.

As at 30 June 2019, no external financial guarantees (31 December 2018: RMB54,020,000) and no phased mortgage guarantees for property development business (31 December 2018: RMB1,932,089,000) were provided by the Group. Details of financial guarantee contracts are set out in Note XI. As at 1 January 2018, management of the Group assessed overdue status of relevant borrowings, financial position of relevant debtors, and economic condition in the debtor's industry. Management is of view that relevant credit risk of such part of financial guarantee contract has not increased significantly since initial recognition. Therefore, loss allowance for the Group's financial guarantee contracts are not determined based on the amount of lifetime expected credit loss, but measured at the amount of the future 12-month expected credit loss of the above financial guarantee contracts. In 2018, there was no change in the Group's assessment method and major assumptions. Based on the assessment of the management of the Group, there was no significant expected impairment provision made for the relevant financial guarantees and mortgage guarantees for property development business.

VIII. FINANCIAL INSTRUMENTS AND THEIR RISKS (Continued)

3. Financial instruments risks (Continued)

Liquidity risk

The Group's objective is to meet the liquidity requirements by maintaining sufficient capital and credit lines. The Group funds its operations by revenue from its operating activities and borrowings.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

30 June 2019 (Unaudited)

	Within 1 year *RMB'000*	**1 to 5 years** *RMB'000*	**Total** *RMB'000*
Short-term borrowings	**1,736,670**	**–**	**1,736,670**
Bills payable	**285,855**	**–**	**285,855**
Accounts payable	**35,818,652**	**–**	**35,818,652**
Other payables	**4,900,875**	**–**	**4,900,875**
Non-current liabilities due within one year	**291,159**	**–**	**291,159**
Lease liabilities	**–**	**29,894**	**29,894**
Long-term borrowings	**–**	**2,013,294**	**2,013,294**
	43,033,211	**2,043,188**	**45,076,399**

31 December 2018 (Restated)

	Within 1 year *RMB'000*	1 to 5 years *RMB'000*	Total *RMB'000*
Short-term borrowings	1,635,770	–	1,635,770
Bills payable	217,213	–	217,213
Accounts payable	38,956,411	–	38,956,411
Other payables	4,949,029	–	4,949,029
Other current liabilities	898	–	898
Non-current liabilities due within one year	526,000	–	526,000
Long-term borrowings	–	1,473,450	1,473,450
	46,285,321	1,473,450	47,758,771

VIII. FINANCIAL INSTRUMENTS AND THEIR RISKS (Continued)

3. Financial instruments risks (Continued)

Market risk

Interest rate risk

The Group's exposure to the risk of changes in market interest rates primarily relates to the Group's long-term borrowings with floating interest rates. The Group manages interest rate risk by closely monitoring changes in interest rates and reviewing its borrowings on a regular basis.

As at 30 June 2019, under the assumption that other variables were held constant, if the interest rate of borrowings increase/decrease by 100 basis points, the net profit/loss of the Group will increase/decrease by RMB24,665,000 (January to June 2018: RMB28,593,000) due to the changes in interest expenses of borrowings with floating interest rates.

Price risk of equity instrument investment

The Group's exposure to the price risk of equity instrument investment primarily relates to the shares of listed companies held by the Group.

As at 30 June 2019, under the assumption that other variables were held constant, if the fair value of the corresponding equity instrument investment increase by 1%, the net after-tax net of other comprehensive income of the Group will increase by RMB1,144,270 due to the change in the fair value of other equity instrument investments assets.

VIII. FINANCIAL INSTRUMENTS AND THEIR RISKS (Continued)

4. Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern, to provide returns for the shareholders and to optimize its capital structure in order to minimize the costs of capital.

The Group manages its capital structure and makes adjustment in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares or dispose of assets. No changes were made in the objectives, policies or processes for capital management from January to June 2019 and for the year of 2018.

The Group monitors capital using the gearing ratio, which is the sum of short-term borrowings, non-current borrowings due within one year and long-term borrowings divided by total equity. The Group's gearing ratio as at the balance sheet date was as follows:

	30 June 2019 *RMB'000* (Unaudited)	31 December 2018 *RMB'000* (Restated)
Gearing ratio	**72%**	61%

IX. FAIR VALUE

The Management has assessed that the fair values of currency funds, bills and accounts receivable, other receivables, bills and accounts payable, and other payables approximate to their carrying amounts largely due to the short-term maturities of these instruments.

1. Fair value of financial instruments

The followings are the carrying amount and fair value of financial instruments except for the financial instruments that the difference between the carrying amount and fair value is immaterial and equity instruments without a quoted price in an active market and whose fair value cannot be reliably measured:

	Carrying amount		**Fair value**	
	30 June 2019	31 December 2018	**30 June 2019**	31 December 2018
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
	(Unaudited)	(Restated)	**(Unaudited)**	(Restated)
Long-term borrowings	**2,013,294**	1,473,450	**1,776,297**	1,029,904

At each balance sheet date, the financial department analyses the movements in the fair value of the financial instrument and determines the major input applicable to the valuation.

The fair value of financial assets and financial liabilities is determined based on the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction, other than in a forced or liquidation sale. The following methods and assumptions were used in the assessment of fair value.

The fair value of long-term and short-term borrowings, bonds payable and etc., are calculated by discounting the future cash flows using market yield currently available for other financial instruments with similar contract terms, credit risk and residual term as the discount rate. As at 30 June 2019 and 31 December 2018, the Group's exposure to non-performance risk associated with the long-term and short-term borrowings is assessed as insignificant.

IX. FAIR VALUE (Continued)

1. Fair value of financial instruments (Continued)

The values of listed equity instrument investments and non-listed equity instrument investments purchased within three months are determined by the market value. Whereas the values of other non-listed equity instruments of the Group are determined by discounted valuation models, which adopt the assumptions unsupported by observable market quotations. The Group needs to make estimation upon future cash flows (including future dividends and revenue from disposal). The Group believes that the fair value and its movement estimated by valuation techniques are reasonable and are the most appropriate results at the balance sheet date.

For the fair value of the non-listed equity instrument investment, the Group estimated and quantified the potential impact of adopting other reasonable and possible assumptions as input value in the valuation model: with the use of less favorable assumption, the fair value decreased by approximately RMB7,478,000; with the use of more favorable assumption, the fair value increased by approximately RMB6,482,000.

2. Fair value of investment properties using fair value model

			Range or Weighted average	
	Valuation technique	**Significant unobservable inputs**	**30 June 2019 *RMB'000* (Unaudited)**	31 December 2018 *RMB'000* (Restated)
RT-Mart	Yield approach	Yield rate	**8.3%**	8.0%
		Annual market rental *(per square metre)*	**103-203**	103-203

IX. FAIR VALUE (Continued)

3. Fair value hierarchy

Assets measured at fair value:

30 June 2019 (Unaudited)

	Inputs used in fair value measurement			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Ongoing fair value measurement				
Held-for-trading financial assets	-	1,184,235	-	1,184,235
Financial assets at fair value through profit or loss				
Bills receivable held for transfer	-	1,184,235	-	1,184,235
Other equity investments	114,427	-	657,458	771,885
Investment properties				
Leased properties	-	-	137,220	137,220
	114,427	1,184,235	794,678	2,093,340

IX. FAIR VALUE (Continued)

3. Fair value hierarchy (Continued)

Assets measured at fair value: (Continued)

31 December 2018 (Restated)

	Inputs used in fair value measurement			
	Quoted prices in active markets (Level 1) *RMB'000*	Significant observable inputs (Level 2) *RMB'000*	Significant unobservable inputs (Level 3) *RMB'000*	Total *RMB'000*
Ongoing fair value measurement	–	729,586	–	729,586
Held-for-trading financial assets				
Financial assets at fair value through profit or loss				
Debt instrument investment	–	4,500	–	4,500
Bills receivable held for transfer	–	725,086	–	725,086
Other equity instrument investments	–	–	569,700	569,700
Investment properties				
Leased properties	–	–	137,402	137,402
	–	729,586	707,102	1,436,688

IX. FAIR VALUE (Continued)

3. Fair value hierarchy (Continued)

Assets measured at fair value: (Continued)

The following is an overview of the important unobservable inputs in the fair value measurement of categorised within level 3:

	Fair value at the end of the year	Valuation technique	Unobservable inputs	Scope (Weighted average)
Non-listed equity investments				
Baoding Commercial Bank Co., Ltd.	30 June 2019: 545,000 31 December 2018: 493,000	Listed companies comparison method	P/B multiple Median of peers	30 June 2019: 0.6-1.4 31 December 2018: 0.3-1.3
			Discount for liquidity	30 June 2019: 30% 31 December 2018: 30%
Baoding Taihang Heyi Environmental technology Co., Ltd.	30 June 2019: 107,000 31 December 2018: 73,700	Listed companies comparison method	P/B multiple Median of peers	30 June 2019: 3.7-12.2 31 December 2018: 3.8-5.8
			Discount for liquidity	30 June 2019: 30% 31 December 2018: 30%
Qinhuangdao Smooth Road Construction Co., Ltd.	30 June 2019: 3,500 31 December 2018: 3,000	Listed companies comparison method	P/B multiple Median of peers	30 June 2019: 0.8-2.4 31 December 2018: 1.1-2.5
			Discount for liquidity	30 June 2019: 30% 31 December 2018: 30%
Leased properties				
RT-Mart	30 June 2019: 137,220 31 December 2018: 137,402	Discounted cash flows method	Yield rate	30 June 2019: 8.3% 31 December 2018: 8.0%
			Annual market rental (per square metre)	30 June 2019: 103-203 31 December 2018: 103-203

There were no transfers of fair value measurements of the Group's financial assets and financial liabilities between Level 1 and Level 2 and no transfers into or out from Level 3.

IX. FAIR VALUE (Continued)

3. Fair value hierarchy (Continued)

Liabilities disclosed at fair value

30 June 2019 (Unaudited)

	Inputs used in fair value measurement			
	Quoted prices in active markets (Level 1) *RMB'000*	Significant observable inputs (Level 2) *RMB'000*	Significant unobservable inputs (Level 3) *RMB'000*	Total *RMB'000*
Long-term borrowings	-	1,776,297	-	1,776,297

31 December 2018 (Restated)

	Inputs used in fair value measurement			
	Quoted prices in active markets (Level 1) *RMB'000*	Significant observable inputs (Level 2) *RMB'000*	Significant unobservable inputs (Level 3) *RMB'000*	Total *RMB'000*
Long-term borrowings	–	1,029,904	–	1,029,904

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

1. Identification standard for related party

If a party controls, jointly controls or exerts significant influence over another party, or if two or more parties are under the control or common control, related party relationship is constituted.

Related parties of the Company are as follows:

(1) Parent companies of the Company;

(2) Subsidiaries of the Company;

(3) Other enterprises under common control by the parent company;

(4) The investor with common control over the Company;

(5) The investor with significant influence over the Company;

(6) Associates of the Company;

(7) Joint ventures of the Company;

(8) Major individual investors of the Company and their close family members;

(9) Key management personnel of the Company or the parent companies and their close family members;

(10) Other enterprises under the control or common control of the Company's major individual investors, key management personnel or their close family members

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

2. Parent companies and subsidiaries

Name of the parent company	Place of registration	Nature of business	Proportion of shareholding	Proportion of votes	Registered capital
Zhongru Investment Co., Ltd.	Beijing	Investment management	69.4%	69.4%	RMB1,202,500,000
Qianbao Investment Co., Ltd.	Baoding, Hebei	Investment	5.6%	5.6%	RMB97,500,000

The ultimate controlling party of the Company and the Group is Zhongru Investment Co., Ltd.

Details of the Group's major subsidiaries are set out in Note V. 1.

3. Other related parties

	Related party relationships	
Qianwei County Yizongliangheng Project Management Co., Ltd.	Associate	*Note 1*
Bozhou Xiangju Construction Engineering Co., Ltd.	Associate	
Zhongyuan Environmental Protection (Neihuang) LiangLi Ecological Construction Project Management Co., Ltd.	Associate	
Baoding Zhucheng Real Estate Development Co., Ltd.	Associate	*Note 2*
Chengdu New Era Tiancheng Properties Co., Ltd.	Associate	*Note 3*
Guangan Zhongcheng Real Estate Development Co., Ltd.	Associate	*Note 4*
Hebei Zitan Real Estate Development Co., Ltd.	Associate	*Note 5*
Zhongming Zhiye Co., Ltd.	Other enterprises under common control by the parent company	
Baoding Tianli Labor Service Co., Ltd.	Other enterprises under common control by the parent company	

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

3. Other related parties (Continued)

	Related party relationships	
Hebei Tianbo Construction Technology Co., Ltd.	Other enterprises under common control by the parent company	
Chengde Summer Resort Cultural Industrial Park Co., Ltd.	Other enterprises under common control by the parent company	
Sanhe Baolan Heat Co., Ltd.	Other enterprises under common control by the parent company	
Key management personnel	Key management personnel of the Group	
Baoding Baofeng Agricultural Ecology Technology Co., Ltd.	Other enterprises under common control by the parent company	
Zhongcheng Real Estate Development Co., Ltd.	Other enterprises under common control by the parent company	*Note 6*
Xi'an Zhongyuan Real Estate Development Co., Ltd.	Other enterprises under common control by the parent company	*Note 6*
Luanping Zhongcheng Real Estate Development Co., Ltd.	Other enterprises under common control by the parent company	*Note 6*
Baoding Taiji Real Estate Development Co., Ltd.	Other enterprises under common control by the parent company	*Note 6*
Huailai Jingsheng Real Estate Development Co., Ltd.	Other enterprises under common control by the parent company	*Note 6*
Hebei Guangsha Property Management. Co., Ltd.	Other enterprises under common control by the parent company	*Note 6*

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

3. Other related parties (Continued)

	Related party relationships	
Laiyuan Zhongcheng Construction Development Co., Ltd.	Other enterprises under common control by the parent company	*Note 6*
Luanping Zhongcheng Real Estate Development Co., Ltd.	Other enterprises under common control by the parent company	*Note 6*
Huailai Zhongcheng Construction Development Co., Ltd.	Other enterprises under common control by the parent company	*Note 6*

Notes:

Note 1: Qianwei County Yizongliangheng Project Management Co., Ltd. was jointly established by the Group, Guangyuan Hejian Xingqian Business Administration Centre (Limited Partnership) and Leshan Gaoxintou Qianwei Base Construction Development Co., Ltd. on 24 January 2019, in which the Group holds 15% of its shares. Accordingly, Qianwei County Yizongliangheng Project Management Co., Ltd. became a related party of the Group since 24 January 2019.

Note 2: Zhongcheng Real Estate Development Co., Ltd. of the Group and Beijing Country Garden Phoenix Property Development Co., Ltd. entered into an equity transfer agreement on 4 August 2017, pursuant to which 49% equity interest of Baoding Zhucheng Real Estate Development Co., Ltd. was disposed of at RMB175,661,000. The date of disposal was 4 August 2017. The articles of association of Baoding Zhucheng Real Estate Development Co., Ltd. set out that its board of director have 5 members in total, while the Group accounted 2 of which and Beijing Country Garden Phoenix Property Development Ltd. accounted 3. As the board resolution requires the approval of more than one-half of the directors to pass, the Group does not have controlling power over Baoding Zhucheng Real Estate Development Co., Ltd. Accordingly, since 4 August 2017, Baoding Zhucheng Real Estate Development Co., Ltd. became a related party of the Group. In June 2019, the Group divested its real estate business to Zhongming Zhiye Co., Ltd. (a related party of the Group). Since then, Baoding Zhucheng Real Estate Development Co., Ltd. ceased to be a related party of the Group.

Note 3: Zhongcheng Real Estate Development Co., Ltd. of the Group and Chengdu Country Garden Jiurui Properties Co., Ltd. entered into an equity transfer agreement on 4 August 2017, pursuant to which 70% equity interest of Chengdu New Era Tiancheng Properties Co., Ltd. was disposed of at RMB84,000,000. The date of disposal was 4 August 2017. Accordingly, since 4 August 2017, Chengdu New Era Tiancheng Properties Co., Ltd. became a related party of the Group. In June 2019, the Group divested its property business to Zhongming Zhiye Co., Ltd. (a related party of the Group). Since then, Chengdu New Era Tiancheng Properties Co., Ltd. ceased to be a related party of the Group.

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

3. Other related parties (Continued)

Note 4: Zhongcheng Real Estate Development Co., Ltd. of the Group entered into an equity transfer agreement on 13 June 2018, pursuant to which 70% equity interest of Guangan Zhongcheng Real Estate Development Co., Ltd. was disposed of at RMB486,110,000. The date of disposal was 5 July 2018. Accordingly, since 5 July 2018, Guangan Zhongcheng Real Estate Development Co., Ltd. became a related party of the Group. In June 2019, the Group divested its property business to Zhongming Zhiye Co., Ltd. (a related party of the Group). Since then, Guangan Zhongcheng Real Estate Development Co., Ltd. ceased to be a related party of the Group.

Note 5: Zhongcheng Real Estate Development Co., Ltd. of the Group entered into an equity purchase agreement on 16 May 2018, pursuant to which 40% equity interest of Hebei Zitan Real Estate Development Co., Ltd. was acquired at RMB20,000,000. Accordingly, since 16 May 2018, Hebei Zitan Real Estate Development Co., Ltd. became a related party of the Group. In June 2019, the Group divested its property business to Zhongming Zhiye Co., Ltd. (a related party of the Group). Since then, Hebei Zitan Real Estate Development Co., Ltd. ceased to be a related party of the Group.

Note 6: In May 2019, the Group planned to transfer 100% equity interests of Zhongcheng Real Estate Development Co., Ltd. and its subsidiaries ("Zhongcheng Development"), 66% equity interests of Baoding Tian'e Real Estate Development Co., Ltd. ("Baoding Tian'e") and 55% equity interests of Sanhe Jinshibang Real Estate Development Co., Ltd. ("Jinshibang") to Zhongming Zhiye Co., Ltd (a company under common control) and its subsidiaries, for the consideration of 100% equity interests of Hebei Construction Group Garden Engineering Co., Ltd. ("Garden Engineering", a subsidiary of Zhongming Zhiye). Meanwhile, the Group will pay cash premium of RMB9,903,000. The reorganisation agreement was approved and passed at the 2018 AGM on 20 June 2019 and the industrial and commercial registration or the filing procedures were went through within five days from the date of such resolution or determination. Pursuant of the reorganization agreement, each of the parties agreed to take the day following the effectiveness of the equity swap and transfer agreement as the closing date of the equity swap and equity transfer. From the closing date, all rights, obligations and risks of the subject equities will be transferred. Accordingly, Garden Engineering was not a related party out of the range of acquisition during the period from January to June 2019, while Zhongcheng Development and its subsidiaries, Baoding Tian'e and Jinshibang were related parties out of the range of acquisition.

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

4. Major transactions with related parties

(1) *Sales or purchases of goods and rendering or receipt of services*

Rendering of services to related parties

	Notes	**Six months ended 30 June 2019 *RMB'000* (Unaudited)**	Six months ended 30 June 2018 *RMB'000* (Restated)
Bozhou Xiangju Construction Engineering Co., Ltd.	*(1)a*	**65,869**	–
Zhongyuan Environmental (Neihuang) Liangli Ecological Construction Project Management Co., Ltd.	*(1)b*	**38,646**	–
Chengde Summer Resort Cultural Industrial Park Co., Ltd.	*(1)c*	**7,864**	–
Qianwei County Yizongliangheng Project Management Co., Ltd.	*(1)d*	**4,901**	–
Sanhe Baolan Heat Co., Ltd.	*(1)e*	**336**	3,397
		117,616	3,397

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

4. Major transactions with related parties (Continued)

(1) Sales or purchases of goods and rendering or receipt of services (Continued)

Receipt of services from related parties

	Notes	Six months ended 30 June 2019 RMB'000 (Unaudited)	Six months ended 30 June 2018 RMB'000 (Restated)
Baoding Tianli Labor Service Co., Ltd.	(1)f	**1,977,003**	2,085,927
Hebei Tianbo Construction Technology Co., Ltd.	(1)g	**2,024,070**	873
		4,001,073	2,086,800

(2) Related party leases

As leesee

	Notes	Type of leased asset	Six months ended 30 June 2019 Leasing fees RMB'000 (Unaudited)	Six months ended 30 June 2018 Leasing fees RMB'000 (Restated)
Zhongming Zhiye Co., Ltd	(2)a	Office building	3,508	2,997

Note: The transaction price of property lease between the Group and its related party was determined by both parties through negotiation with referring to market prices and other factors.

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

4. Major transactions with related parties (Continued)

(3) Borrowing with related parties

Capital lending

30 June 2018 (Restated)

	Notes	Borrowing amount RMB'000	Start date	Due date
Baoding Baofeng Agricultural Ecology Technology Co., Ltd.	(3)a	2,918	Indefinite	Indefinite
Hebei Zitan Real Estate Development Co., Ltd.,	(3)a	2,000	Indefinite	Indefinite
Chengdu New Era Tiancheng Properties Co., Ltd.	(3)a	80	Indefinite	Indefinite
		4,998		

Interest expenses of placements

	Notes	Six months ended 30 June 2019 RMB'000 (Unaudited)	Six months ended 30 June 2018 RMB'000 (Restated)
Zhongming Zhiye Co.,Ltd.	(3)b	-	28,686

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

4. Major transactions with related parties (Continued)

(4) Other related party transactions

	Notes	Six months ended 30 June 2019 RMB'000 (Unaudited)	Six months ended 30 June 2018 RMB'000 (Restated)
Emolument of key management personnel	(4)a	**4,046**	2,082

Key management personnel comprise executive directors, supervisors, independent non-executive directors and senior management.

Notes:

(1) SALES OR PURCHASES OF GOODS AND RENDERING OR RECEIPT OF SERVICES

(a) During the six months ended 30 June 2019, the Group provided construction services to Bozhou Xiangju Construction Engineering Co., Ltd. at the market price of RMB65,869,000.

(b) During the six months ended 30 June 2019, the Group provided construction services to Zhongyuan Environmental (Neihuang) Liangli Ecological Construction Project Management Co., Ltd. at the market price of RMB38,646,000.

(c) During the six months ended 30 June 2019, the Group provided construction services to Chengde Summer Resort Cultural Industrial Park Co., Ltd. at the market price of RMB7,864,000.

(d) During the six months ended 30 June 2019, the Group provided construction services to Qianwei County Yizongliangheng Project Management Co., Ltd. at the market price of RMB4,901,000.

(e) During the six months ended 30 June 2019, the Group provided construction services to Sanhe Baolan Heat Co., Ltd. at the market price of RMB336,000 (during the six months ended 30 June 2018: RMB3,397,000).

(f) During the six months ended 30 June 2019, the Group received labour services from Baoding Tianli Labor Service Co., Ltd. at the market price of RMB1,977,003,000 (during the six months ended 30 June 2018: RMB2,085,927,000).

(g) During the six months ended 30 June 2019, the Group received labour services from Baoding Tianli Labor Service Co., Ltd. at the market price of RMB1,977,003,000 (during the six months ended 30 June 2018: RMB2,085,927,000).

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

4. Major transactions with related parties (Continued)

(4) Other related party transactions (Continued)

Notes: (Continued)

(2) RELATED PARTY ASSET LEASES

(a) During the six months ended 30 June 2019, the Group leased an office building from Zhongming Zhiye Co., Ltd. and incurred leasing fees of RMB3,508,000 under the lease contract.

During the six months ended 30 June 2018, the Group leased an office building from Zhongming Zhiye Co., Ltd. and incurred leasing fees of RMB2,997,000 under the lease contract.

(3) BORROWINGS WITH RELATED PARTIES

(a) During the six months ended 30 June 2018, Baoding Baofeng Agricultural Ecology Technology Co., Ltd. borrowed RMB2,918,000 from the Group. The borrowing is non interest-bearing and no repayment has received during the period.

During the six months ended 30 June 2018, Hebei Zitan Real Estate Development Co., Ltd. borrowed RMB2,000,000 from the Group. The borrowing is non interest-bearing and no repayment has received during the period.

During the six months ended 30 June 2018, Chengdu New Era Tiancheng Properties Co., Ltd. borrowed RMB80,000 from the Group. The borrowing is non interest-bearing.

(b) During the six months ended 30 June 2018, the interest expenses of borrowings from Zhongming Zhiye Co., Ltd. was RMB28,686,000.

(4) OTHER MAJOR RELATED TRANSACTIONS

(a) During the six months ended 30 June 2019, the total emolument of key management personnel incurred by the Group amounted to RMB4,046,000.

During the six months ended 30 June 2018, the total emolument of key management personnel incurred by the Group amounted to RMB2,082,000.

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS
(Continued)

5. Balance of amounts due from related parties

	30 June 2019 Book balance *RMB'000* (Unaudited)	31 December 2018 Book balance *RMB'000* (Restated)
Accounts receivable		
Zhongcheng Real Estate Development Co., Ltd.	6,117	–
Luanping Zhongcheng Real Estate Development Co., Ltd.	4,082	–
Sanhe Baolan Heat Co., Ltd.	–	10,310
Baoding Zhucheng Real Estate Development Co., Ltd.	–	431
Chengdu New Era Tiancheng Properties Co., Ltd.	–	88
	10,199	10,829

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

5. Balance of amounts due from related parties (Continued)

	30 June 2019 Book balance RMB'000 (Unaudited)	31 December 2018 Book balance RMB'000 (Restated)
Contract assets		
Qianwei County Yizongliangheng Project Management Co., Ltd.	**141,787**	–
Zhongcheng Real Estate Development Co., Ltd.	**97,803**	–
Bozhou Xiangju Construction Engineering Co., Ltd.	**35,644**	–
Xi'an Zhongyuan Real Estate Development Co., Ltd.	**35,204**	–
Chengde Summer Resort Cultural Industrial Park Co., Ltd.	**23,092**	21,819
Sanhe Baolan Heat Co., Ltd.	**20,892**	24,047
Huailai Jingsheng Real Estate Development Co., Ltd.	**13,534**	–
Zhongyuan Environmental (Neihuang) Liangli Ecological Construction Project Management Co., Ltd.	**12,091**	–
Luanping Zhongcheng Real Estate Development Co., Ltd.	**7,041**	–
Hebei Guangsha Property Service Co., Ltd.	**200**	–
Laiyuan Zhongcheng Construction Development Co., Ltd.	**811**	–
Guangan Zhongcheng Real Estate Development Co., Ltd.	**-**	119,079
Chengdu New Era Tiancheng Properties Co., Ltd.	**-**	23,822
	388,099	188,767

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

5. Balance of amounts due from related parties (Continued)

	30 June 2019 Book balance *RMB'000* **(Unaudited)**	31 December 2018 Book balance *RMB'000* (Restated)
Prepayments		
Baoding Tianli Labor Service Co., Ltd.	**14,000**	–
Other receivables		
Chengdu New Era Tiancheng Properties Co., Ltd.	**-**	455,749
Zhongming Zhiye Co., Ltd.	**-**	129,153
Baoding Baofeng Agricultural Ecology Technology Co., Ltd.	**-**	45,946
Hebei Zitan Real Estate Development Co., Ltd.	**-**	2,300
	-	633,148

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

6. Balance of amounts due to related parties

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Restated)
Accounts payable		
Baoding Tianli Labor Service Co., Ltd.	**2,174,604**	2,134,903
Hebei Tianbo Construction Technology Co., Ltd.	**6,544**	278
Zhongming Zhiye Co., Ltd.	**-**	3,500
	2,181,148	2,138,681
Contract liabilities		
Huailai Zhongcheng Real Estate Development Co., Ltd.	**45,004**	–
Zhongcheng Real Estate Development Co., Ltd.	**29,083**	–
Xi'an Zhongyuan Real Estate Development Co., Ltd.	**5,618**	–
Chengde Summer Resort Cultural Industrial Park Co., Ltd.	**5,485**	–
Sanhe Baolan Heat Co., Ltd.	**4,457**	953
Huailai Jingsheng Real Estate Development Co., Ltd.	**609**	–
Hebei Baocang Expressway Co., Ltd.	**436**	45
Qianbao Investment Co., Ltd.	**348**	–
Baoding Zhucheng Real Estate Development Co., Ltd.	**-**	3,642
	90,604	4,595

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

6. Balance of amounts due to related parties (Continued)

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Restated)
Other payables		
Key management personnel	27,413	22,947
Baoding Taiji Real Estate Development Co., Ltd.	4,171	–
Zhongcheng Real Estate Development Co., Ltd.	1,449	–
Baoding Tianli Labor Service Co., Ltd.	367	14,653
Baoding Zhucheng Real Estate Development Co., Ltd.	-	123,696
Zhongming Zhiye Co., Ltd.	-	5,625
Hebei Tianbo Construction Technology Co., Ltd.	-	1,000
	33,400	167,921
Entrusted loan		
Zhongming Zhiye Co., Ltd.	-	115,000

Except for interest-bearing entrusted loan with Zhongming Zhiye Co., Ltd, receivables from and payables to related parties are non interest-bearing, unsecured and have no fixed terms of repayment.

XI. CONTINGENCIES

	Note	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Restated)
Total contingent liabilities arisen from mortgage loan guarantees	Note 1	-	1,932,089
Total contingent liabilities arisen from providing external guarantees		-	54,020
		-	1,986,109

Note 1: The Group's guarantee periods commence from the dates of grants of relevant mortgage loans and end upon the issuance of building ownership certificates to the buyer, which generally becomes effective within one to two years after the buyer's payment. The management of the Group considers that the fair value of such guarantees is not significant. If there is a default in the mortgage loan, the net realizable value comprises outstanding principal amount, interest payable and interest penalties.

XII. LEASES

1. As lessor

Operating lease: Pursuant to the lease contract entered into with the lessee, the minimum lease payment of non-cancellable lease is as follows:

	30 June 2019 RMB'000 (Restated)
Within 1 year (including 1 year)	2,419
1 to 2 years (including 2 years)	3,663
2 to 3 years (including 3 years)	2,100
3 to 4 years (including 4 years)	2,100
4 to 5 years (including 5 years)	2,100
Over 5 years	3,850
	16,232

As at 30 June 2019, the carrying amount of investment properties under operating lease was RMB137,220,000 (31 December 2018: RMB137,402,000).

XII. LEASES (Continued)

2. As lessee

Supplementary information to lease expenses

The Group simplified short-term leases and leases of low-value assets, and did not recognize the right-of-use assets and lease liabilities. The short-term leases, low-value assets and variable lease payments that are not included in the measurement of lease liabilities are included in expenses for the current period as follows:

	January to June 2019 ***RMB'000***
Short-term lease expenses	**4,218**

Significant operating lease (applicable in Year 2018): Pursuant to the lease contract entered into with the lessor, the minimum lease payment of non-cancellable lease is as follows:

	31 December 2018 *RMB'000* (Restated)
Within 1 year (including 1 year)	10,720
1 to 2 years (including 2 years)	9,125
2 to 3 years (including 3 years)	2,189
Over 3 years	19,192
	41,226

XIII. COMMITMENTS

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Restated)
Contracted but not provided for		
Capital commitment	**41,613**	65,718
Property development commitment	**-**	169,597
	41,613	235,315

XIV. OTHER IMPORTANT EVENTS

Discontinued operations

As stated in Note V. 2., the management of the Group decided to dispose all equity in the real estate subsidiaries of the Company in June 2019.

The profits or losses from the discontinued operations are as follows:

	Six months ended 30 June 2019 RMB'000 (Unaudited)	Six months ended 30 June 2018 RMB'000 (Restated)
Revenue	**149,194**	245,507
Costs and expenses	**110,014**	567,973
Total profit/(loss)	**39,180**	(322,466)
Income tax expenses	**1,289**	(20,251)
Net profit/(loss)	**37,891**	(302,215)
Net profit/(loss) from discontinued operations	**37,891**	(302,215)
Including: Net profit/(loss) from discontinued operations attributable to shareholders of the parent	**25,499**	(263,564)

XIV. OTHER IMPORTANT EVENTS (Continued)

Discontinued operations (Continued)

Cash flow of the discontinued operations is as follows:

	Six months ended 30 June 2019 ***RMB'000*** **(Unaudited)**	Six months ended 30 June 2018 *RMB'000* (Restated)
Net cash flow from operating activities	**(115,968)**	244,459
Net cash flow from investing activities	**(13,424)**	(44,789)
Net cash flow from financing activities	**7,426**	(120,142)

XV. COMPARATIVE INFORMATION

As stated in Note V-3, the Group acquired 100% equity interests of Hebei Construction Group Garden Engineering Co., Ltd. under common control during the Period. With reference to the Accounting Standards for Business and Enterprises and the accounting policies regarding acquisition of corporations under common control adopted by the Group, the acquired corporation under common control should be regarded as a reporting entity formed after the acquisition and exist as integration since when the ultimate controlling party has started to implement control. This should be reflected in the financial statements, as the parent-subsidiary company been formed by combining, and both its asset size and business performance should be continuously assessed. In preparing consolidated financial statements, regardless of any point of time in the Reporting Period, the consolidated income statement and consolidated statement of cash flow reflected profits and losses and cash flow of the reporting entity of the parent-subsidiary company since the day of combining. Correspondingly, the retained profit on consolidated balance sheet should reflect the realizable surplus and undistributed profits as at the day of combining given that the parent-subsidiary company had been operating as an entity. Accordingly, when in preparing the consolidated financial statements for the period of January to June 2019, or the period of combining, the Group has adjusted the opening balance recorded on the consolidated balance sheet and the related items on the comparative statements as if the reporting entity after combining had been existed in the past.

XV. COMPARATIVE INFORMATION (Continued)

In addition, the comparative interim consolidated income statement has been restated upon the assumption of the discontinued operations at the beginning of the comparative period in accordance with the discontinued operations during the period (Note V-2 and Note XIV-1).

XVI. APPROVAL OF FINANCIAL STATEMENTS

The financial statements are approved by resolution of the Board on 29 August 2019.

"Acquisition Subject"	the 100% equity interests in HCG Garden Engineering held by Zhongming Zhiye
"AGM"	annual general meeting of the Company
"A Share(s)"	ordinary shares proposed to be issued by the Company under the A Share Offering and subscribed for in Renminbi, which will be listed on the main board of the SSE and traded in Renminbi
"A Share Offering" or "A Share Offering and Listing"	the proposed initial public offering of no more than 587,127,833 A Shares by the Company, which will be listed on the main board of the SSE
"Articles of Association" or "Articles"	the articles of association of the Company (as amended from time to time)
"associate(s)"	has the meaning ascribed to it under the Listing Rules, unless the context requires otherwise
"Audit Committee"	the Audit Committee of the Board
"Baoding Tian'e Real Estate"	Baoding Tian'e Real Estate Development Co., Ltd. (保定天鵝房地產開發有限公司), a limited liability company incorporated in the PRC on 14 December 2016 and is a subsidiary of Zhongming Zhiye held as to 66% by Zhongming Zhiye as at the Latest Practicable Date. Unless the context otherwise requires, its subsidiary(ies) is included
"Baoding Zhongcheng"	Baoding Zhongcheng Investment Management Co., Ltd. (保定中誠投資管理有限公司), a limited liability company incorporated in the PRC on 20 September 2007, which is a subsidiary wholly owned by the Company as of the Latest Practicable Date. Unless the context otherwise requires, its subsidiary(ies) is included
"Board" or "Board of Directors"	the board of Directors of the Company

"Board of Supervisors"	the board of Supervisors of the Company
"China" or "PRC"	the People's Republic of China, excluding, for the purpose of this interim report, Hong Kong, Macau and Taiwan
"Company Law"	the Company Law of the People's Republic of China (中華人民共和國公司法), as amended and adopted by the Standing Committee of the Twelfth National People's Congress on 28 December 2013 and effective on 1 March 2014, as amended, supplemented or otherwise modified from time to time
"Company"	Hebei Construction Group Corporation Limited, a joint stock company incorporated in the PRC with limited liability on 7 April 2017, whose H Shares were listed on the Main Board of the Hong Kong Stock Exchange on 15 December 2017 (Stock Code: 1727). Unless the context otherwise requires, it shall include its predecessor, Hebei Construction Group Co., Ltd. (河北建設集團有限公司) (a limited liability company established under the laws of the PRC on 29 September 1997)
"Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules and as at the Latest Practicable Date, refers to Mr. Li Baoyuan, Qianbao Investment and Zhongru Investment
"CSRC"	China Securities Regulatory Commission
"Director(s)"	the director(s) of the Company
"Disposal Subject"	the 90% shares, 66% equity interests and 55% equity interests held by the Company in Zhongcheng Real Estate, Baoding Tian'e Real Estate and Jinshibang Real Estate, respectively
"Engineering Construction Service Framework Agreement"	the engineering construction service framework agreement entered into between the Company and Zhongming Zhiye on 17 May 2019

"Equity Swap and Transfer Agreement"	the equity swap and transfer agreement entered into among the Company, Baoding Zhongcheng, Zhongming Zhiye and Qianqiu Management on 17 May 2019 in relation to the Equity Swap and Transfer
"Equity Transfer Subject"	the 10% shares in Zhongcheng Real Estate held by Baoding Zhongcheng
"Group"	the Company and its subsidiaries
"H Shares"	overseas listed foreign shares in the ordinary shares of the Company with a nominal value of RMB1.00 each, which are to be subscribed for and traded in HK dollars and are to be listed on the Hong Kong Stock Exchange
"Hebei Construction" or "Group"	the Company and its subsidiaries (or the Company and any one or more of its subsidiaries, as the context may require), or (as the context may require) in respect of the period before the Company becomes the holding company of its present subsidiaries, such subsidiaries as if they were the Company's subsidiaries at that time
"HCG Garden Engineering"	Hebei Construction Group Garden Engineering Co., Ltd. (河北建設集團園林工程有限公司), a limited liability company incorporated in the PRC on 26 December 2006, which is a wholly-owned subsidiary of the Company as of the Latest Practicable Date. Unless the context otherwise requires, its subsidiary(ies) is included
"HK$" or "HK dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Stock Exchange" or "Stock Exchange"	the Stock Exchange of Hong Kong Limited

"Initial Public Offering" or "IPO"	The initial public offering of the Company, the details of which are stated in the Prospectus
"Jinshibang Real Estate"	Sanhe Jinshibang Real Estate Development Co., Ltd. (三河市金世邦房地產開發有限公司), a limited liability company incorporated in the PRC on 7 December 2018, and is a subsidiary of the Company held as to 55% by the Company as at the Latest Practicable Date. Unless the context otherwise requires, its subsidiary(ies) is included
"Latest Practicable Date"	12 September 2019, namely the latest practicable date for determining certain information contained in the Interim Report
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
"Prospectus"	the Prospectus of the Company dated 5 December 2017
"Qianbao Investment"	Qianbao Investment Co., Ltd. (乾寶投資有限責任公司) (previously known as Baoyuan Investment Co., Ltd. (寶元投資有限責任公司)), a company incorporated in the PRC on 19 April 2010 with limited liability. As of the Latest Practicable Date, Qianbao Investment directly and indirectly through Zhongru Investment held approximately 73.8% equity interest of the Company in aggregate and is a Controlling Shareholder of the Company
"Qianqiu Management"	Hebei Construction Group Qianqiu Management Co., Ltd. (河北建設集團千秋管業有限公司), a company incorporated in the PRC on 17 December 2003 with limited liability. As at the Latest Practicable Date, it was a wholly-owned subsidiary of Zhongming Zhiye
"Reporting Period"	the period of six months commencing on 1 January 2019 and ending on 30 June 2019

"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"senior management"	the senior management of the Company
"Securities and Futures Ordinance" or "SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each
"Shareholders(s)"	the shareholder(s) of the Company
"Subsidiary(ies)"	has the meaning ascribed to it under the Hong Kong Listing Rules, unless the context requires otherwise
"substantial shareholder(s)"	has the meaning ascribed to it under the Hong Kong Listing Rules, unless the context requires otherwise
"Supervisor(s)"	the supervisor(s) of the Company
"SSE"	the Shanghai Stock Exchange
"Zhongcheng Real Estate"	Zhongcheng Real Estate Development Co., Ltd. (中誠房地產開發股份有限公司), a joint stock company incorporated in the PRC with limited liability on 4 August 1992. As of the Latest Practicable Date, a wholly-owned subsidiary, 100% of which is directly and indirectly (through Qianqiu Management) owned by Zhongming Zhiye. Unless the context requires otherwise, it includes its subsidiaries
"Zhongming Zhiye"	Zhongming Zhiye Co., Ltd. (中明置業有限公司), a company incorporated in the PRC on 1 December 2016 with limited liability. As of the Latest Practicable Date, Zhongming Zhiye was owned as to 92.5% and 7.5% by Zhongru Investment and Qianbao Investment, the Controlling Shareholders of the Company, respectively

"Zhongru Investment"	Zhongru Investment Co., Ltd. (中儒投資股份有限公司) (previously known as Baoding Zhongyang Investment Co., Ltd. (保定中陽投資股份有限公司)), a joint stock company incorporated in the PRC on 2 August 2010. As of the Latest Practicable Date, Zhongru Investment directly held 68.3% equity interest of the Company and is a Controlling Shareholder of the Company
"%"	per cent

河北建設集團股份有限公司
HEBEI CONSTRUCTION GROUP CORPORATION LIMITED