



河北建設集團股份有限公司

HEBEI CONSTRUCTION GROUP CORPORATION LIMITED

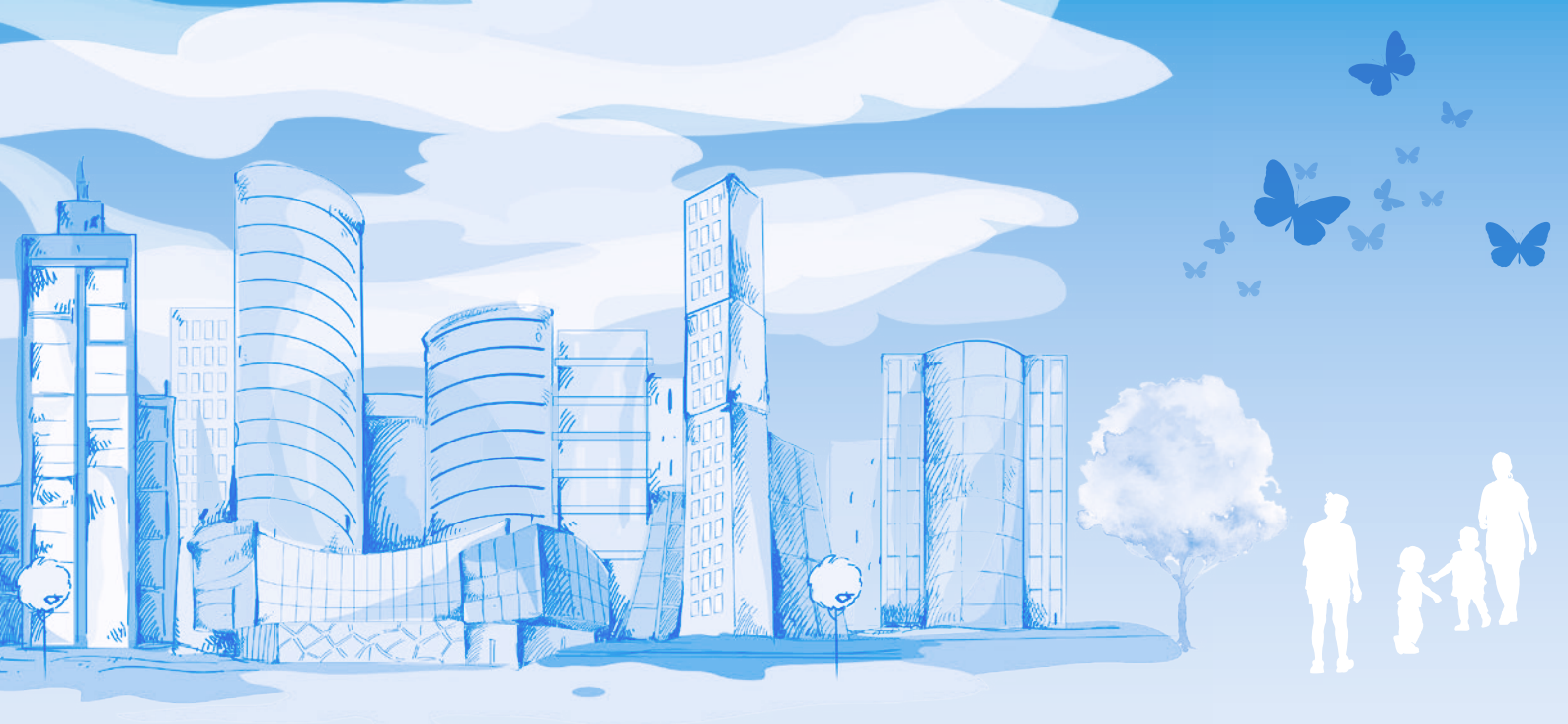
(A joint stock company incorporated in the People's Republic of China with limited liability)

STOCK CODE: 1727



2020

INTERIM REPORT



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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

Mr. Li Baozhong (*Chairman of the Board*)

Mr. Shang Jinfeng (*President*)

Mr. Zhao Wensheng

Mr. Liu Yongjian

Non-executive Directors

Mr. Li Baoyuan (*Honorary Chairman*)

Mr. Cao Qingshe (*Vice Chairman*)

Independent Non-executive Directors^{Note 1}

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

Note:

- 1 Mr. Xiao Xuwen did not seek re-election of directors upon the expiration of his term of office as a Director due to reaching his retirement age, and he ceased to take the role as an independent non-executive Director of the Company with effect from 23 June 2020.

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*)

Mr. Li Baozhong

Mr. Shang Jinfeng

Ms. Shen Lifeng

Mr. Chan Ngai Sang Kenny

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

329 Wusi West 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
Wanchai, Hong Kong

COMPANY WEBSITE

<http://www.hebjs.com.cn>

INVESTOR RELATIONS CONTACT

Tel: (86) 312 331 1000
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 ADVISORS

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

AUDITOR

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





FINANCIAL HIGHLIGHTS

For the six months ended 30 June 2020, our revenue amounted to RMB14,372 million, representing a decrease of 29.2% as compared with the corresponding period of 2019.

For the six months ended 30 June 2020, our net profit amounted to RMB247 million, representing a decrease of 56.6% as compared with the corresponding period of 2019.

For the six months ended 30 June 2020, our earnings per Share amounted to RMB0.14, representing a decrease of RMB0.17 as compared with the corresponding period of 2019.

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.

The decline in the Group's results for the first half of 2020 was due to the fact that under the continuous impact from the pandemic of COVID-19 since the beginning of 2020, market supply of material, labour services and other resources failed to resume in time, and certain projects under construction cannot resume operation and production as scheduled, which resulted in certain production failing to resume normal operation and prolonged cycle of project construction. In addition, most of the projects tendered have delayed the bid opening or cancelled the original plan for implementation, which resulted in decrease of new projects undertaken.

Notwithstanding the above, the Board would like to emphasize that there is no cancellation of major contracts of the Group as of the Latest Practicable Date. While implementing regular epidemic prevention and control measures, the Group also made active response by extensively participating in project tendering and quotation, identifying potential new projects, striving to overcome different adverse factors, increasing its efforts in production organization, management and control, and actively organizing various resources required for production in order to ensure normal production. In addition, as the pandemic in China become under control and the supply chain and labour services gradually resumed, the Group's revenue from construction projects had recovered from loss in the second quarter of 2020 as compared to the first quarter of 2020. The Board expects that, as the adverse effects from the pandemic subside, the Group's performance will improve in the second half of 2020.

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 and other businesses.

A substantial majority of our revenue is generated from the construction contracting business, which mainly comprises of building construction business, infrastructure construction business and specialized and other construction contracting business. In the first half of 2020, our new contract value was RMB20,809 million, representing a decrease of 47.58% as compared with RMB39,694 million for the corresponding period of last year; and ongoing contract backlog was RMB104,414 million, representing an increase of 6.37% as compared with RMB98,157 million as at the end of 2019.

New contract value (by region):

Year	Six months ended 30 June	
	2020	2019
RMB100 million	208.09	396.94
Share of Beijing-Tianjin-Hebei	58.98%	52.18%
Share of other regions	41.02%	47.82%





BUSINESS OVERVIEW

New contract value (by segment):

Year	Six months ended 30 June	
	2020	2019
RMB100 million	208.09	396.94
Share of building construction	66.30%	71.31%
Share of infrastructure construction	26.74%	19.67%
Share of specialized and other construction	6.96%	9.02%

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. In the first half of 2020, the new contract value from the building construction business was RMB13,796 million, compared with RMB28,305 million for the corresponding period of last year.

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

Year	Six months ended 30 June	
	2020	2019
RMB100 million	137.96	283.05
Share of residential construction	66.76%	64.55%
Share of public building construction	21.70%	24.13%
Share of industrial building construction	7.68%	9.98%
Share of commercial building construction	3.86%	1.34%

Infrastructure Construction Business

In addition to our core building construction business, we are also providing construction contracting services for municipal and transportation infrastructure projects, including facilities for water supply and treatment, gas and heating, urban pipelines, landscaping, roads, bridges and airport runways. We undertake most of such construction projects as general contractor. Our infrastructure construction customers are primarily local governments. In the first half of 2020, the new contract value from the infrastructure construction business was RMB5,564 million, compared with RMB7,809 million for the corresponding period of last year.

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

Year	Six months ended 30 June	
	2020	2019
RMB100 million	55.64	78.09
Share of municipal infrastructure construction	74.33%	64.52%
Share of transportation infrastructure construction	25.67%	35.48%

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, construction of steel structures and decoration. 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. Decoration usually refers to the decoration and fixture handling after the completion of the major construction of the building. In the first half of 2020, the new contract value from the specialized and other construction contracting business was RMB1,449 million, compared with RMB3,580 million for the corresponding period of last year.



BUSINESS OVERVIEW

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

Year	Six months ended 30 June	
	2020	2019
RMB100 million	14.49	35.80
Share of electrical and mechanical installation	5.84%	25.47%
Share of steel structures	21.73%	16.68%
Share of decoration	33.41%	30.97%
Share of other construction business	39.02%	26.88%

Representative projects of new contracts

No.	Name of project	Business segment	Region
1.	Construction Project of Outpatient Complex and Ophthalmology Building of the East Campus of Baoding No.1 Central Hospital (保定市第一中心醫院東院門診綜合樓和眼科大樓項目施工)	Public building	Baoding, Hebei
2.	Project of Court No.9 of Country Garden Xiliuhu City (G29-01) (Building 1# to Building 9#, Non-motor Vehicle Shed with Charging Outlets, Basement and Underground Parking Lot) (碧桂園西流湖名城九號院 (G29-01)項目(1#樓-9#樓、充電非機動車車棚、地下室及地下車庫))	Residential building	Zhengzhou, Henan
3.	Main Body and Supporting Construction Project of the First Phase (Plots A, B and D) of Tangshan Evergrande Hushan Peninsula Project (唐山恒大湖山半島項目首開區 (A、B、D地塊)主體及配套建設工程)	Residential building	Tangshan, Hebei
4.	Construction of Airfield (Section I) of the Guangdong Zhanjiang Airport Relocation Project (廣東湛江機場遷建工程飛行區場道工程施工 (一標段))	Transportation infrastructure construction	Zhanjiang, Guangdong
5.	General Contracting of the Land Level Project (Phase II) of the Northern Zone of Knowledge City (知識城北片區土地平整工程 (二期)施工總承包工程)	Municipal infrastructure construction	Guangzhou, Guangdong
6.	EPC General Contracting of Road Greening and Landscaping of the First Phase of Langfang Airport Economic Zone (廊坊臨空經濟區起步區道路綠化及生態綠地EPC工程總承包)	Municipal infrastructure construction	Langfang, Hebei

Representative projects of construction in progress

No.	Name of project	Business segment	Region
1.	Scientific Research Complex at 4# of Phase II of the Langfang Pilot Test Base of Technical Institute of Physics and Chemistry under Chinese Academy of Sciences (中國科學院理化技術研究所廊坊中試基地二期4# 科研綜合樓)	Public building	Langfang, Hebei
2.	Construction Project of the Outpatient Complex and Ophthalmology Building of the East Campus of Baoding No.1 Central Hospital (保定市第一中心醫院東院門診綜合樓和眼科大樓項目施工)	Public building	Baoding, Hebei
3.	Construction Project of Multi-purpose Covered Playground of Hebei University of Technology (河北工業大學多功能風雨操場項目施工)	Public building	Tianjin
4.	Construction Project of Shijiazhuang Public Records Office (石家莊市檔案館項目工程施工)	Public building	Shijiazhuang, Hebei
5.	Gu'an Laikangjun Leisure and Tourism Complex Project (固安來康郡康樂旅遊綜合體工程)	Public building	Langfang, Hebei
6.	Main Body and Supporting Construction Project of Phase I of Ordos Evergrande Metropolis (鄂爾多斯恒大名都項目首期主體及配套建設工程)	Residential building	Ordos, Inner Mongolia
7.	Beijing Electronic City IT Industry Park Electronic Industry Factory Project (D3 Workshop (for High and New Technology Industry) and B3 Workshop (for High and New Technology Industry)) (北京電子城IT產業園電子工業廠房項目 (D3廠房 (高新技術產業用房)、B3廠房 (高新技術產業用房)))	Industrial building	Beijing
8.	Quinta, Ethiopia - Garsner Road Project Contract (Quinta - Kurba Segment) (埃塞俄比亞昆塔-加斯納道路工程合同(昆塔-庫爾巴段))	Transportation infrastructure construction	Ethiopia
9.	General Contracting of Mozambique Saskatchewan Airport Project (Bid Section for Airfield) (援莫桑比克賽賽機場項目 (飛行區標段)工程總承包任務)	Transportation infrastructure construction	Mozambique
10.	Construction of Airfield (Section I) of the Guangdong Zhanjiang Airport Relocation Project (廣東湛江機場遷建工程飛行區場道工程施工 (一標段))	Transportation infrastructure construction	Zhanjiang, Guangdong
11.	Main Body Construction Project of Beijing-Hebei Boundary to Tianjin-Shijiazhuang Expressway Section along Beijing New Airport - Dezhou Expressway (北京新機場至德州高速公路京冀界至津石高速段主體工程施工)	Transportation infrastructure construction	Langfang, Hebei
12.	Construction, Installation and Procurement Project for the Dry Coal Shed of Yudean Coal Terminal in Bohe New Port Zone of Maoming Port in Guangdong (廣東茂名港博賀新港區粵電煤炭碼頭乾煤棚製作與安裝採購)	Specialized and other construction business	Maoming, Guangdong



BUSINESS OVERVIEW

Representative projects of completed projects

No.	Name of project	Business segment	Region
1.	Construction of New Shijiazhuang Children's Hospital (City Maternity and Child Healthcare Hospital) Project (新建石家莊市兒童醫院(市婦幼保健院)項目施工)	Public building	Shijiazhuang, Hebei
2.	Outlets (Phase I) Residential Buildings 1#-3#, 5#-13#, 15#, 55#-58#, Ancillary Public Buildings 61#, 70#, Phase I of Underground Parking Lot; Outlets (Phase II) Residential Buildings 25#-33#, 35#, Underground Parking Lot (奧特萊斯(一期)1#-3#、5#-13#、15#、55#-58#住宅樓, 61#、70#配套公建, 地下車庫一期; 奧特萊斯(二期)25#-33#、35#住宅樓, 地下車庫)	Residential building	Hengshui, Hebei
3.	20 items including Building 1# of Research and Development, Trial Production and Testing Platform (Xiaomi Internet Electronic Industrial Park Project) (Phase I) (研發試製檢測平台1#樓等20項(小米互聯網電子產業園項目)一標段)	Industrial building	Beijing
4.	EPC General Contracting of Phase I of the Widening and Reconstruction Project of Lianmeng Road - Shifang Road - Fengshou Road (聯盟路-石紡路-豐收路拓寬打通工程一標段EPC總承包)	Municipal infrastructure construction	Shijiazhuang, Hebei



PART II RESEARCH AND DEVELOPMENT ACHIEVEMENTS AND AWARDS

In the first half of 2020, the Group achieved remarkable results in various aspects of technology innovation, including implementation of technology research and development projects, construction and operation of technology platform and application and licensing of intellectual property.

1. Provincial science and technology projects: We applied for financial support from the government and initiated two projects admitted by Hebei Provincial Department of Science and Technology as the 2020 key projects of science and technology research and development in Hebei Province: the project of “Research, Development and Application of Ultra Low Energy Consumption Key Technology for Prefabricated Steel Structure Residential Buildings” (装配式鋼結構住宅的超低能耗關鍵技術研發與應用) initiated by the Group and Hebei Academy of Building Research and the project of “Research and Development and Demonstration of Wetland Buffer Zone Technology for Ecological Purification of Water Inflow of Baiyang Lake” (白洋澱入澱水體生態淨化濕地緩衝帶技術研究及示範) initiated by Installation Company and Tongji University were awarded special government grant of RMB900,000. We also initiated 14 new technology demonstration projects of the Hebei Provincial Department of Housing and Urban-Rural Development, and applied for three science and technology projects of the Ministry of Housing and Urban-Rural Development, which marked a great start for implementation of provincial projects.
2. Enterprise level science and technology projects: In 2019, we incurred research and development expenses of RMB47,812,800 for enterprise level science and technology projects. In the first half of 2020, we assessed and initiated 224 enterprise level research and development projects and carried out research and development activities in an orderly manner.
3. Science and technology progress awards: We applied for the Science and Technology Progress Award of Hebei Provincial Department of Science and Technology (河北省科技廳科學技術獎) for two projects including the project of “Innovation and Demonstration of Key Technologies for Construction of Sponge Cities in Hebei Province” (河北省海綿城市建設關鍵技術創新與示範), and applied for the Baoding Science and Technology Awards for four projects.





BUSINESS OVERVIEW

4. Construction and operation of technology platform: We carried out platform construction and operation with increased efforts, and our national enterprise technology center received rewards of RMB3 million from the Development and Reform Commission of Hebei Province. We cooperated with Harbin Institute of Technology to apply for the admission of “Research Center for Ecological Restoration of Polluted Water and Wetland in Hebei Province” as a Hebei provincial engineering research center under the Development and Reform Commission of Hebei Province. Installation Company has applied to be admitted as the Baoding technology innovation center.
5. Intellectual property: We patented our key technologies in a timely manner. As of the end of June 2020, we obtained 112 new patents (including three invention patents), submitted 81 patent applications (including ten applications for invention patents) and obtained seven software copyrights.

PART III OUTLOOK

The outbreak of COVID-19 is the most severe public health incident since the establishment of the PRC in terms of spreading speed, area of infection and difficulties in prevention and control. In response, the Company strictly implemented various prevention and control measures and contributed to the pandemic fight with its best efforts.

In 2020, the Company aimed at meeting all financial and technical targets to conclude the “13th Five-Year Plan” period with remarkable results. In the future, the Group will continue to uphold the general keynote of “Improving Quality and Efficiency, and Achieving Stability for Sustainable Development”, diligently complete different tasks and fully implement detailed, standard and thorough management.

We will increase our efforts in development of project department and quantify and strengthen its performance. Through the development of project department, we will identify and consolidate more resources to bring more development opportunities for the Company. One of the main goals in the “14th Five-Year Plan” period is to meet the target of organizational construction, in order to establish one thousand project entities by the end of the “14th Five-Year Plan” period, thereby creating healthy competition among these entities and providing powerful support to meet the ultimate goal of reaching RMB100 billion of revenue.



In the working meeting held during the year, the Group further confirmed that we shall prioritize the development of market system, adhere to market-oriented approach and mobilize all staff to participate in the comprehensive market expansion. Facing the impact from COVID-19, we will make proactive response with our positivity, courage and bravery, increase our efforts in market expansion and participate in the construction of national key projects. To tackle the challenges, we shall toughen up ourselves. Starting from the system operation, we will further adjust and improve the major customer management system, make market segmentation, increase the contribution from major customers, and improve the customer maintenance and development mechanism. Meanwhile, we will also strengthen the system interaction, enhance the quality and efficiency, put efforts in improving our abilities of project monitoring, bidding, implementation and performance, and understand customers' demand to provide professional solutions for the customers.

In response to the gradual emergence of domestic economic circle, we will actively explore business models related to "new infrastructure". Firstly, we will continuously strengthen our attention to the investment projects on the government platform, formulate project monitoring measures, specify the responsibilities at different levels, thereby improving the matching level and increasing the chance of winning the bids. Secondly, we will focus on national key infrastructure projects. For rail transit, expressway, emerging businesses (ecological and environmental protection and high-end manufacturing), water and environmental protection and water and soil conservation, we will implement comprehensive planning and whole-process monitoring to ensure real-time follow-up on all process points. Thirdly, we will strengthen the in-depth exploration and research on different EPC projects and study the prefabricated "construction + EPC model" and other construction models, in order to make breakthrough in general contracting sector.

We will pay attention to national policies and people's livelihood, understand the needs of general public in different regions, and actively participate in urban renewal, shanty town renovation, irrigation and water conservancy and other relevant construction projects, thereby contributing to the well-being of general public by providing high-quality construction services, and creating new economic growth drivers that promote energy-saving, environmental protection and sustainable development.

We will also participate in the collaborative development of 5G communication, artificial intelligence, industrial internet of things, smart city, biomedical science and other emerging industries. As a traditional industry, construction industry is the foundation of every part of our lives, including the development of any new ideas or new sectors. As such, we will support, embrace and integrate the new models with our traditional services, and also lead and facilitate the transformation and upgrade of construction industry through technology innovation and industrial reform.





BUSINESS OVERVIEW

We will innovate our business model, make in-depth research and exploration in the new meanings of “PPP + TOD”, “PPP + land development”, “EPC + land development” and “EPC + PPP”, and actively study and exchange ideas on collective land utilization, project integration, investment and financing management, internal and external cooperation, profiting model and other relevant aspects. We will also innovate our operating sectors, fully understand the operation of TOD model, and actively participate in the projects of service platform complex, high-speed rail new city, upgrade and renovation of old railway lines and small communities and development of public areas in developed areas. We will cooperate with all stakeholders in the industry and provide systematic services in the industry, thereby unifying the linear operation in closed value chain into an open and collaborative community.

We will also capture the historic opportunities from the development of the Xiong'an New Area, the Guangdong-Hong Kong-Macao Greater Bay Area and the Hainan Free Trade Zone and actively support the “Belt and Road Initiative” by expanding to international markets.

The Company will strive to become a leading integrated provider of construction services and municipal services. It will also make preliminary plan before project implementation, and provide high-quality construction services, satisfactory after-sale services and valued-added services, thereby fully satisfying the customers' demand for customized services and potential expectation and providing premium services for the customers.



MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Operating income, operating cost and gross profit

The revenue of the Group for the six months ended 30 June 2020 amounted to RMB14,372 million, representing a decrease of approximately RMB5,926 million as compared with the corresponding period of last year, which was mainly due to the decrease in revenue from construction contracting segment of RMB5,783 million.

Segment operating results of construction contracting business

	Six months ended 30 June 2020				Six months ended 30 June 2019			
	Revenue (RMB 100 million)	Cost (RMB 100 million)	Gross profit margin %	Percentage %	Revenue (RMB 100 million)	Cost (RMB 100 million)	Gross profit margin %	Percentage %
Building construction business	94.51	90.07	4.7	66.9	141.24	134.13	5.0	70.9
Infrastructure construction business	30.96	29.07	6.1	21.9	42.11	39.69	5.7	21.2
Specialized and other construction business	15.78	14.82	6.1	11.2	15.73	14.94	5.0	7.9
Total	141.25	133.96	5.2		199.08	188.76	5.2	

The revenue from construction contracting segment for the six months ended 30 June 2020 decreased by RMB5,783 million, which was mainly due to the fact that the Group's construction business was mainly concentrated in Beijing, Tianjin and Hebei and their surrounding areas, and under the continuous impact from the pandemic of COVID-19 since the beginning of 2020, market supply of material, labour services and other resources failed to resume in time, certain projects under construction cannot resume operation and production as scheduled, and the work suspension period slightly increased as compared to the Chinese New Year holiday in the corresponding period of last year, which resulted in certain production failing to resume normal operation and prolonged cycle of project construction. In addition, most of the projects tendered have delayed the bid opening or cancelled the original plan for implementation, which resulted in decrease of new projects undertaken and thus the decreasing trend in the revenue from construction contracting segment of the Group.





MANAGEMENT DISCUSSION AND ANALYSIS

Notwithstanding the above, the Board would like to emphasize that there is no cancellation of major contracts of the Group as of the Latest Practicable Date. While implementing regular epidemic prevention and control measures, the Group also made active response by extensively participating in project tendering and quotation, identifying potential new projects, striving to overcome different adverse factors, increasing its efforts in production organization, management and control, and actively organizing various resources required for production in order to ensure normal production. In addition, as the pandemic in China become under control and the supply chain and labour services gradually resumed, the Group's revenue from construction projects had recovered from loss in the second quarter of 2020 as compared to the first quarter of 2020. The Board expects that, as the adverse effects from the pandemic subside, the Group's performance will improve in the second half of 2020.

Detailed analysis of the changes in revenue from construction contracting segment is as follows:

- (1) Building construction business is the largest contributor to the revenue from construction contracting segment. Under the continuous impact from the pandemic of COVID-19, certain construction projects failed to resume operation from January to March 2020, which led to prolonged cycle of project construction and resulted in decrease in revenue from building construction business of the Group of RMB4,673 million as compared to the corresponding period of last year;
- (2) The revenue from infrastructure construction business recorded a significant decrease of RMB1,115 million, which was mainly due to the decrease in new infrastructure construction projects undertaken by the Group since the second half of 2019, which led to the decrease in relevant revenue during the Reporting Period; and
- (3) The revenue from specialized and other construction business for the first half of 2020 increased slightly as compared to the corresponding period of last year, which was mainly because such business mainly includes mechanical and electrical installation, steel structures, decoration and other construction business, which have a relatively short construction cycle of no more than one year and thus expose to less impact from work suspension resulting from the pandemic.

Selling expenses

The selling expenses for January to June 2020 amounted to RMB0.45 million, decreasing by approximately RMB8.63 million as compared to the corresponding period of 2019, which was mainly because the Group made strategic adjustment to divest its property development business, resulting in decrease in salary of sales staff, advertising expense, business expense and other relevant expenses related to real estate companies.



Administrative expenses

The Group's administrative expenses for the first half of 2020 amounted to RMB189 million, representing an increase of RMB22 million as compared to the corresponding period of 2019, which was mainly due to the increase in number of employees during the period as compared with the corresponding period of 2019, resulting in the increase in employee salaries, benefits and social insurance contributions for the period as compared to the corresponding period of last year.

Research and development costs

The research and development costs of the Group for the first half of 2020 amounted to RMB11 million, representing a decrease of RMB37 million as compared to the corresponding period of 2019. The research and development costs mainly include the costs incurred for research of special projects or production process, including the cost of materials utilised and salary of senior engineers involved in research and development. The decrease was mainly because certain research and development projects of the Group had not commenced operation during the period affected by the pandemic.

Credit impairment losses

Credit impairment losses for January to June 2020 amounted to RMB48 million, which was mainly because the Group made provision for the expected credit loss of accounts receivable, other receivables and contract assets during the period in view of the pandemic of COVID-19, the macro-economic condition and credit profile of the customers.

Investment income

The investment income for January to June 2020 amounted RMB27 million, representing a decrease of RMB1.40 million as compared to the corresponding period of 2019, which was mainly due to the decrease in dividends declared by the enterprises under other equity instrument investment of strategic investment as compared to the corresponding period of last year.

Income tax expenses

The income tax expenses for January to June 2020 amounted to RMB70 million, representing a decrease of RMB98 million as compared to the corresponding period of last year, which was mainly due to the decrease in pre-tax profit which led to the decrease in income tax expenses.

Net profit

Based on the above factors, net profit for the first half of 2020 was RMB247 million, representing a decrease of approximately RMB321 million as compared with the corresponding period of last year.





MANAGEMENT DISCUSSION AND ANALYSIS

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 2020 and 31 December 2019, the Group had unrestricted cash and cash equivalents of approximately RMB5,128 million and approximately RMB6,675 million, respectively.

Currency funds

As of 30 June 2020, currency funds of the Group were RMB5,465 million, representing a decrease of RMB1,580 million as compared with that at the end of 2019, which was mainly due to the increase in net cash outflows from operating activities and investment activities.

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 2020, financial assets held for trading of the Group were RMB0.58 million, representing a decrease of RMB4.35 million as compared with that at the end of 2019, which was mainly because the Group disposed of certain financial assets held for trading during the year.

Long-term equity investments

As of 30 June 2020, the long-term equity investment was RMB531 million, representing an increase of RMB1.10 million as compared with that at the end of 2019, which was mainly due to the change in profit or loss of investments under equity method.

Accounts receivable and long-term receivables

As of 30 June 2020, the net value of accounts receivable was RMB6,009 million, representing an increase of approximately RMB260 million as compared with that at the end of 2019, which was mainly due to the settlement of certain projects during the Reporting Period resulting in a relatively small overall change. The balance of long-term receivables (including the portion due within one year) was RMB120 million, which was mainly the receivables under concession projects and remained basically the same as last year.

Other receivables

As of 30 June 2020, balance of other receivables of the Group was RMB2,418 million, representing a decrease of approximately RMB51 million as compared to that at the end of last year with a slight overall change.

Contract assets and construction services contract liabilities

The net value of contract assets as of 30 June 2020 was RMB41,322 million, representing an increase of approximately RMB803 million as compared with that at the end of 2019, which was in line with the overall progress of projects. Contract liabilities as of 30 June 2020 were RMB4,594 million, representing an increase of approximately RMB104 million as compared with that at the end of 2019. It was mainly due to the enhanced settlement progress of some quality projects of the Group during the Reporting Period, resulting in the increase in contract liabilities as compared to last year.

Other equity instrument investment

The carrying value of other equity instrument investment as at 30 June 2020 was RMB734 million, representing a decrease of approximately RMB45 million as compared with that at the end of 2019, which was mainly due to the decrease in investment value of other equity instruments invested by the Group.

Short-term borrowings, long-term borrowings and non-current liabilities due within one year

The Group's short-term borrowings, long-term borrowings and non-current liabilities due within one year mainly include long-term and short-term borrowings from financial institutions and lease liabilities. The total balance of short-term borrowings, long-term borrowings and non-current liabilities due within one year as at 30 June 2020 was RMB5,319 million, increasing by RMB282 million as compared with that at the end of 2019, which was mainly due to the increase in long-term borrowings (including the portion due within one year) of the Group from January to June 2020.





MANAGEMENT DISCUSSION AND ANALYSIS

Bills and accounts payable

The balance of accounts payable as at 30 June 2020 was RMB34,879 million, representing a decrease of RMB1,068 million as compared with that at the end of 2019, which was within normal range of fluctuation. Such change was mainly due to the slight decrease in procurement amount during the first half of 2020 affected by the pandemic of COVID-19. The balance of bills payable as at 30 June 2020 was RMB447 million, representing an increase of RMB66 million as compared with that at the end of last year, which was mainly due to the increase in proportion of bill payment by the Group.

Capital expenditures

Capital expenditures in the first half of 2020 were approximately RMB503 million, representing an increase of RMB471 million as compared to the corresponding period of 2019, which was mainly due to the construction of office building and increase in land.

Capital commitment

As at 30 June 2020, the Group did not have any material commitment.

Financial Ratios

	30 June 2020	31 December 2019
Current ratio (times) ⁽¹⁾	1.1	1.1
Quick ratio (times) ⁽²⁾	1.1	1.1
Gearing ratio ⁽³⁾	90.4%	85.2%
Return on assets ⁽⁴⁾ (not annualized)	0.4%	1.2%
Return on equity ⁽⁵⁾ (not annualized)	4.2%	12.6%

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 2020, the Group's interest-bearing borrowings were approximately RMB5,305 million (31 December 2019: approximately RMB5,029 million), bearing an effective annual interest rate ranging from 4.2% to 12.0% per annum (31 December 2019: annual interest rate ranging from 4.4% to 12.0%).

Significant sales or disposal

During the Reporting Period, the Group did not have any significant sales or disposal.

Contingent liabilities

As at 30 June 2020, the banking facilities granted to third parties subject to guarantees given to the banks by the Group were utilised to the extent of approximately RMB157 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 2020, the Group has had a total of 8,062 full-time employees (31 December 2019: 8,062). 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 2020, 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 2020, 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.

COMPLIANCE WITH THE MODEL CODE

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 2020.

AMENDMENTS TO THE ARTICLES OF ASSOCIATION

On 31 December 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 notice period of the general meeting of the Company and the “full circulation” of H Shares. The above proposal was considered and approved as special resolution at the 2020 first extraordinary general meeting, the 2020 first domestic shareholders class meeting and the 2020 first H shareholders class meeting convened on 30 March 2020. The revised Articles of Association took effect from 30 March 2020. 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 31 December 2019 and 30 March 2020, and the circular of the 2020 first extraordinary general meeting and the 2020 first H shareholders class meeting dated 22 January 2020.

On 12 May 2020, 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 certain articles in the Articles of Association involving the composition of the Board. The above proposal was considered and approved as special resolution at the 2019 AGM convened on 23 June 2020. The revised Articles of Association took effect from 23 June 2020. The whole text of the revised Articles of Association has been published on the HKEXnews website of the Hong Kong Stock Exchange and the website of the Company. For details, please refer to the announcements of the Company dated 12 May 2020 and 23 June 2020, and the circular of the 2019 AGM dated 25 May 2020.

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor its subsidiaries has purchased, sold or redeemed any of its listed securities for the six months ended 30 June 2020.





OTHER MATTERS

DIVIDEND DISTRIBUTION

2019 Final Dividend

According to the Profit Distribution Proposal of the Company for 2019 considered and approved by the Shareholders of the Company at the 2019 AGM convened on 23 June 2020, the Company will distribute cash dividends out of 32% of the net profit attributable to the listed company's shareholders for the year ended 31 December 2019 to Shareholders, totalling RMB246,593,690. The Board will distribute 2019 final dividend of RMB0.14 per Share (tax inclusive) in cash to its domestic Shareholders and H Shareholders whose names appear on the register of members of the Company on Wednesday, 8 July 2020. Such dividend was distributed on Monday, 10 August 2020. For details, please refer to the 2019 AGM circular dated 25 May 2020 and the announcement dated 23 June 2020.

2020 Interim Dividend

The Board does not recommend the distribution of interim dividend for the six months ended 30 June 2020.

USE OF PROCEEDS FROM THE IPO

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 net proceeds (net of Stock Exchange trading fee, SFC transaction levy, registration fee and fees charged by the receiving banks) received by the Company from the 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.

Reference is made to the circular of 2019 first extraordinary general meeting of the Company dated 14 January 2019 and the poll results announcement 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 at 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 RMB160.81 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 of 30 June 2020		Remaining net proceeds as of 30 June 2020	
	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	642.73	39.97	0.52	0.03
To fund the Group's existing and future equity investment commitments	482.44	30.00	0.00	0.00
To repay the principal of and interest on the Group's loans on or before their respective maturity dates	160.81	10.00	0.00	0.00
General corporate purposes	317.34	19.73	4.29	0.27
Total*	1,603.32	99.70	4.81	0.30

* In preparing the above table, the exchange rate applied is RMB0.81538 = 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 SAFE. As of 30 June 2020, the total amount of recycling funds was approximately HK\$1,380.50 million, the total amount of recycling funds was approximately RMB416.40 million and the proceeds from the settlement of exchange of Hong Kong dollars were approximately RMB1,126.12 million.





OTHER MATTERS

The Company strictly controlled the use of raised funds according to the instructions of policy documents of the SAFE and the use of proceeds after the Change. As of 30 June 2020, the accumulative amounts of the raised funds paid for various purpose by the Company was RMB1,603.32 million. Among them, approximately RMB642.73 million was used to undertake the construction of certain construction contracting projects remain to be completed; approximately RMB482.44 million was used to fund the Group's existing and future equity investment commitments; approximately RMB160.81 million was used to repay the principal of and interest on bank loans on or before the due date; and approximately RMB317.34 million was used for general corporate purposes. Save as used above, as of 30 June 2020, the remaining funds of the Company's proceeds were approximately HK\$3.16 million, RMB23.39 million (including an interest income of approximately RMB20.95 million) and USD0.44 million, which had not been used and were 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 according to the proportion and the use after the Change on or before 31 December 2020.

SUBSEQUENT EVENTS

Save as disclosed in this report, there has been no major subsequent event of the Company from 30 June 2020 to the Latest Practicable Date.

REVIEW OF INTERIM REPORT BY AUDIT COMMITTEE

The members of the Audit Committee of the Company 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 of the Company has reviewed and confirmed the Group's interim results announcement for the six months ended 30 June 2020, the 2020 interim report and the unaudited interim financial statements for the six months ended 30 June 2020 prepared in accordance with Chinese Accounting Standards for Business Enterprises.

CHANGES IN SHARE CAPITAL AND INFORMATION OF SHAREHOLDERS

SHARE CAPITAL AND CHANGES IN SHARE CAPITAL

The overseas-listed foreign-invested shares (H Shares) of the Company were listed on the main board of the Stock Exchange on 15 December 2017, with a total share capital of 1,733,334,000 Shares. As at 5 January 2018, the over-allotment option described in the Prospectus was partially exercised, and 28,049,500 H Shares were allotted, increasing the number of shares to 1,761,383,500 Shares.

As at 30 June 2020, the total issued share capital of the Company was RMB1,761,383,500, divided into 1,761,383,500 ordinary 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 22 May 2020, on 22 May 2020, the Company has received the acceptance notice from the CSRC in relation to the Company's application submitted to the CSRC for implementation of the H share full circulation. Under its application, the Company has applied for the conversion of a maximum of 400,000,000 domestic shares of the Company in issue into H shares and the listing thereof on the Stock Exchange (the "Conversion and Listing"). As of the Latest Practicable Date, the details of implementation plan of the Conversion and Listing have not been finalised.

PROPOSED PLAN FOR THE A SHARE OFFERING

As disclosed in the announcements of the Company dated 19 July 2019 and 16 September 2019 and the circular of 2019 second extraordinary general meeting and 2019 first H shareholders class meeting of the Company dated 27 August 2019, the Board resolved to approve, among other things, the resolutions in relation to the proposed plan for the A Share Offering and related resolutions on 19 July 2019. Such resolutions have been approved by the Shareholders 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. Such resolutions are subject to the market conditions and the necessary approval or decisions of the relevant regulatory authorities.





CHANGES IN SHARE CAPITAL AND INFORMATION OF SHAREHOLDERS

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 Shareholders at the extraordinary general meeting and the class meetings, with the sponsor institution(s) in accordance with the market 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.



CHANGES IN SHARE CAPITAL AND INFORMATION OF SHAREHOLDERS

- (5) Offer price of the Shares : The price range will be determined first by the Board as authorized by the Shareholders and the sponsor institution(s) through promotion and preliminary price consultation, 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 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》), 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; 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.





CHANGES IN SHARE CAPITAL AND INFORMATION OF SHAREHOLDERS

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 in aggregate), BOT projects (amounting to approximately RMB130 million in aggregate) and other investment projects (amounting to approximately RMB3,275 million in aggregate). It is estimated that approximately RMB3,955 million in aggregate out of the proceeds will be used in such projects.



CHANGES IN SHARE CAPITAL AND INFORMATION OF SHAREHOLDERS

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.





CHANGES IN SHARE CAPITAL AND INFORMATION OF SHAREHOLDERS

- (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 (i.e. 16 September 2019).

For further details of the proposed A Share Offering, please see the announcement of the Company dated 19 July 2019, the circular of the 2019 second extraordinary general meeting and the 2019 first H shareholders class meeting of the Company dated 27 August 2019 and the poll results announcement of the Company dated 16 September 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 2020, 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	Approximate
					percentage of shareholding in the relevant class of Shares as at 30 June 2020	percentage of shareholding in the total issued share capital of the Company as at 30 June 2020
Mr. Li Baoyuan ¹	Interest in controlled corporation	1,300,000,000	Domestic Shares	Long position	100%	73.80%

Note:

- As at 30 June 2020, Qianbao Investment directly holds 5.54% 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. As at 30 June 2020, Mr. Li Baoyuan directly holds 90% of the equity interests in Qianbao Investment, and Qianbao Investment directly or indirectly holds 100% of the equity interests in Zhongru Investment and directly holds 5.54% of the equity interests in the Company. Therefore, Mr. Li Baoyuan is deemed to be interested in 100% of the equity interests, or 231,500,000 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.





CHANGES IN SHARE CAPITAL AND INFORMATION OF SHAREHOLDERS

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 of ordinary shares interested in the associated corporation	Nature of interest	Approximate percentage of issued share capital of associated corporation as at 30 June 2020
Directors					
Mr. Li Baoyuan ¹	Qianbao Investment ²	Beneficial owner	45,000,000	Long position	90.00%
	Zhongru Investment ³	Interest in controlled corporation	231,500,000	Long position	100.00%
Mr. Li Baozhong	Qianbao Investment ²	Beneficial owner	5,000,000	Long position	10.00%
Mr. Cao Qingshe	Zhongru Investment ³	Beneficial owner	5,000,000	Long position	2.16%
Mr. Shang Jinfeng	Zhongru Investment ³	Beneficial owner	1,000,000	Long position	0.43%
Mr. Zhao Wensheng	Zhongru Investment ³	Beneficial owner	1,000,000	Long position	0.43%
Mr. Liu Yongjian	Zhongru Investment ³	Beneficial owner	2,000,000	Long position	0.86%
Supervisors					
Mr. Yu Xuefeng	Zhongru Investment ³	Beneficial owner	1,000,000	Long position	0.43%
Mr. Liu Jingqiao	Zhongru Investment ³	Beneficial owner	500,000	Long position	0.22%
Mr. Yue Jianming	Zhongru Investment ³	Beneficial owner	500,000	Long position	0.22%

Notes:

- As at 30 June 2020, 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 231,500,000 shares, in Zhongru Investment.
- As at 30 June 2020, the total share capital of Qianbao Investment is 50,000,000 shares.
- As at 30 June 2020, the total share capital of Zhongru Investment is 231,500,000 shares.



CHANGES IN SHARE CAPITAL AND INFORMATION OF SHAREHOLDERS

Save as disclosed above, so far as any Directors, Supervisors or chief executives of the Company are aware, as at 30 June 2020, 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 of 30 June 2020, 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 or their respective spouses or children under the age of 18 to acquire such rights from any other body corporate.





CHANGES IN SHARE CAPITAL AND INFORMATION OF SHAREHOLDERS

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

As at 30 June 2020, 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 kept under Section 336 of the SFO:

Name of Shareholder	Capacity	Number of Shares interested	Class of Shares	Nature of interest	Approximate	Approximate
					percentage of shareholding in the relevant class of Shares as at 30 June 2020	percentage of shareholding in total issued share capital of the Company as at 30 June 2020
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%	5.54%

Note:

- As at 30 June 2020, Qianbao Investment directly holds 5.54% 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.



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 9 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 3 independent non-executive Directors, namely 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 7 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 (Vice President and Chief Economic Officer), Mr. Tian Wei (Vice President) and Mr. Li Wutie (Board Secretary and Assistant to the President).

Save as disclosed in this report, there is no change in the information of Directors, Supervisors and chief executive 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

At the 2019 AGM of the Company held on 23 June 2020, (i) Mr. Li Baozhong, Mr. Shang Jinfeng, Mr. Zhao Wensheng and Mr. Liu Yongjian have been appointed as executive Directors of the second session of the Board of Directors; (ii) Mr. Li Baoyuan and Mr. Cao Qingshe have been appointed as non-executive Directors of the second session of the Board of Directors; and (iii) Ms. Shen Lifeng, Ms. Chen Xin and Mr. Chan Ngai Sang Kenny have been appointed as independent non-executive Directors of the second session of the Board of Directors. Besides, Mr. Xiao Xuwen, an independent non-executive Director of the first session of the Board of Directors, did not seek re-election of Director upon the expiration of his term of office as a Director due to reaching his retirement age, and he shall cease to take any role as an independent non-executive Director of the Company with effect from 23 June 2020.





INFORMATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Meanwhile, at the first meeting of the second session of the Board of Directors of the Company held on 23 June 2020, the Board of Directors has resolved to elect Mr. Li Baoyuan as the honorary chairman of the second session of the Board of Directors of the Company, Mr. Li Baozhong as the chairman of the second session of the Board of Directors of the Company and Mr. Cao Qingshe as the vice chairman of the second session of the Board of Directors of the Company, whose terms of office shall start from 23 June 2020 and end at the expiration of the term of the second session of the Board of Directors of the Company.

Change of Supervisors

At the 2019 AGM of the Company held on 23 June 2020, Mr. Yu Xuefeng, Ms. Feng Xiujian and Mr. Wang Feng have been appointed as the Shareholder representative Supervisors of the second session of the Board of Supervisors. Meanwhile, upon the approval at the employee representative meeting held on 25 April 2020, effective from 23 June 2020, Mr. Liu Jingqiao and Mr. Yue Jianming have been elected as employee representative Supervisors of the second session of the Board of Supervisors.

At the first meeting of the second session of the Board of Supervisors of the Company held on 23 June 2020, the Board of Supervisors has resolved to elect Mr. Yu Xuefeng as the chairman of the second session of the Board of Supervisors of the Company, whose term of office shall start from 23 June 2020 and end at the expiration of the term of the second session of the Board of Supervisors of the Company.

Change of Senior Management

At the first meeting of the second session of the Board of Directors of the Company held on 23 June 2020, the Board of Directors has resolved to (i) re-appoint Mr. Shang Jinfeng as the president of the Company; (ii) re-appoint Mr. Liu Yongjian as a vice president of the Company; (iii) re-appoint Mr. Zhao Wensheng as the chief accountant and the director of finance of the Company; (iv) re-appoint Mr. Gao Qiuli as a vice president and the chief engineer of the Company; (v) re-appoint Mr. Zhang Wenzhong as a vice president and the chief economic officer of the Company; (vi) re-appoint Mr. Li Wutie as the Board secretary of the Company; and (vii) appoint Mr. Tian Wei as a vice president of the Company, whose terms of office shall start from 23 June 2020 and end on the date when the third session of the Board of Directors of the Company is established and has appointed new session of senior management.

INTERIM CONSOLIDATED BALANCE SHEET (UNAUDITED)

30 June 2020
RMB'000

Assets	Note VI	30 June 2020 (Unaudited)	31 December 2019
Current assets			
Currency funds	1	5,465,114	7,045,270
Financial assets held for trading		584	4,931
Accounts receivable	2	6,008,900	5,748,686
Accounts receivable financing	3	1,089,983	1,257,760
Prepayments	4	1,251,294	1,285,168
Other receivables	5	2,417,681	2,468,999
Inventories		338,915	241,145
Contract assets	6	39,890,798	39,231,476
Non-current assets due within one year		26,061	26,061
Other current assets	7	165,770	117,736
Total current assets		56,655,100	57,427,232
Non-current assets			
Long-term receivables	8	93,819	93,840
Contract assets	6	1,431,489	1,287,426
Long-term equity investments	9	531,111	530,015
Other equity instrument investments	10	734,007	779,054
Investment property		136,600	134,750
Fixed assets	11	380,529	378,117
Construction in progress		424,060	15,764
Right-of-use assets	12	39,443	46,544
Intangible assets		101,844	35,633
Deferred tax assets		219,071	198,196
Total non-current assets		4,091,973	3,499,339
Total assets		60,747,073	60,926,571

The notes form an integral part of these financial statements



INTERIM CONSOLIDATED BALANCE SHEET (UNAUDITED)

30 June 2020
RMB'000

Liabilities and shareholders' equity	<i>Note VI</i>	30 June 2020 (Unaudited)	31 December 2019
Current liabilities			
Short-term borrowings	14	2,236,017	2,250,713
Bills payable		446,768	380,677
Accounts payable	15	34,878,714	35,946,252
Contract liabilities		4,593,846	4,489,727
Employee benefits payable		161,037	185,954
Taxes payable		584,032	636,184
Other payables		5,538,009	5,300,272
Non-current liabilities due within one year		1,504,063	922,400
Other current liabilities	16	3,328,404	3,016,571
Total current liabilities		53,270,890	53,128,750
Non-current liabilities			
Long-term borrowings	17	1,578,998	1,864,424
Lease liabilities	18	15,280	29,825
Total non-current liabilities		1,594,278	1,894,249
Total liabilities		54,865,168	55,022,999



INTERIM CONSOLIDATED BALANCE SHEET (UNAUDITED)

30 June 2020
RMB'000

Liabilities and shareholders' equity	<i>Note VI</i>	30 June 2020 (Unaudited)	31 December 2019
Shareholder's equity			
Share capital	19	1,761,384	1,761,384
Capital reserve		1,661,232	1,661,232
Other comprehensive income		87,357	119,557
Surplus reserve		417,681	417,681
Retained profit	20	1,763,291	1,760,756
Total equity attributable to shareholders of the parent		5,690,945	5,720,610
Minority interests		190,960	182,962
Total shareholders' equity		5,881,905	5,903,572
Total liabilities and shareholders' equity		60,747,073	60,926,571

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)

Six months ended 30 June 2020
RMB'000

	Note VI	Six months ended 30 June 2020 (Unaudited)	Six months ended 30 June 2019 (Unaudited)
Operating revenue	21	14,371,556	20,297,154
Less: Operating costs		13,604,235	19,191,379
Taxes and surcharges		34,409	51,731
Selling costs		452	9,084
Administrative expenses		189,104	166,996
Research and development costs		11,203	47,884
Finance expenses	22	200,057	46,436
Including: Interest expenses		229,670	123,388
Interest income		26,198	81,472
Add: Other income		4,503	207
Investment income	23	27,189	28,590
Including: Gains on investments in joint ventures and associates		1,096	10,054
Gains/(losses) from changes in fair values		1,850	(7,994)
Credit impairment losses	24	(48,192)	(64,249)
Gains on disposal of assets		119	-
Operating profit		317,565	740,198
Add: Non-operating income		897	301
Less: Non-operating expenses		1,817	4,153
Total profit		316,645	736,346
Less: Income tax expenses	25	69,978	168,207
Net profit		246,667	568,139



INTERIM CONSOLIDATED INCOME STATEMENT (UNAUDITED)

Six months ended 30 June 2020
RMB'000

	<i>Note VI</i>	Six months ended 30 June 2020 (Unaudited)	Six months ended 30 June 2019 (Unaudited)
Including: Net profit of party being acquired prior to business combination under common control		-	37,906
Classified by business continuity			
Net profit from continuing operations		246,667	530,248
Net profit from discontinued operations		-	37,891
Classified by ownership			
Net profit attributable to shareholders of the parent (Losses)/gains of minority interests		249,129 (2,462)	553,222 14,917
Other comprehensive (loss)/income, net of tax		(32,200)	66,255
Other comprehensive (loss)/income attributable to shareholder of the parent, net of tax		(32,200)	66,255
Other comprehensive (loss)/income that cannot be reclassified to profit and loss			
Changes in fair value of other equity instrument investments		(33,785)	66,255
Other comprehensive income that will be reclassified to profit and loss			
Changes in fair value of accounts receivable financing		1,585	-
Total comprehensive income		214,467	634,394
Including:			
Total comprehensive income attributable to shareholders of the parent		216,929	619,477
Total comprehensive (losses)/income attributable to minority shareholders		(2,462)	14,917
Earnings per share (RMB/share)			
Basic earnings per share	26	0.14	0.31

The notes form an integral part of these financial statements



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

Six months ended 30 June 2020
RMB'000

	Attributable to shareholders of the parent							Minority interests	Total shareholders' equity
	Share capital	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Retained profit	Subtotal		
I. Opening balance of the period	1,761,384	1,661,232	119,557	-	417,681	1,760,756	5,720,610	182,962	5,903,572
II. Changes for the period									
(I) Total comprehensive income	-	-	(32,200)	-	-	249,129	216,929	(2,462)	214,467
1. Capital contribution by minority shareholders	-	-	-	-	-	-	-	10,460	10,460
(II) Profit distribution									
1. Distribution to shareholders	-	-	-	-	-	(246,594)	(246,594)	-	(246,594)
(III) Special reserve									
1. Appropriation for the period	-	-	-	(282,497)	-	282,497	-	-	-
2. Use in the period	-	-	-	282,497	-	(282,497)	-	-	-
III. Closing balance of the period	1,761,384	1,661,232	87,357	-	417,681	1,763,291	5,690,945	190,960	5,881,905

The notes form an integral part of these financial statements



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

Six months ended 30 June 2019
RMB'000

	Attributable to shareholders of the parent						Subtotal	Minority interests	Total shareholders' equity
	Share capital	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Retained profit			
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	-	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	<u>1,761,384</u>	<u>1,586,932</u>	<u>60,900</u>	<u>-</u>	<u>295,246</u>	<u>1,701,191</u>	<u>5,405,653</u>	<u>525,854</u>	<u>5,931,507</u>
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. Effects of business combination under common control as at the date of combination and the effect of disposal of the discontinued operations	-	(29,105)	-	-	-	-	(29,105)	(353,487)	(382,592)
(III) Profit distribution									
1. 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	<u>1,761,384</u>	<u>1,557,827</u>	<u>127,155</u>	<u>-</u>	<u>295,246</u>	<u>1,665,998</u>	<u>5,407,610</u>	<u>192,759</u>	<u>5,600,369</u>

The notes form an integral part of these financial statements



INTERIM CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

Six months ended 30 June 2020
RMB'000

	Note VI	Six months ended 30 June 2020 (Unaudited)	Six months ended 30 June 2019 (Unaudited)
I. CASH FLOWS USED IN OPERATING ACTIVITIES:			
Cash received from sales of goods or rendering of services		16,096,729	17,173,747
Other cash receipts related to operating activities		8,091,854	690,540
Subtotal of cash inflows from operating activities		24,188,583	17,864,287
Cash paid for goods and services		16,195,762	18,759,166
Cash paid to and for employees		412,688	327,847
Taxes paid		641,380	355,622
Other cash payments related to operating activities		8,068,967	112,688
Subtotal of cash outflows from operating activities		25,318,797	19,555,323
Net cash flows used in operating activities	27	(1,130,214)	(1,691,036)
II. CASH FLOWS USED IN INVESTING ACTIVITIES:			
Cash received from return of investment		7,886	4,500
Cash received from investment income		21,411	91,984
Net cash received from disposal of fixed assets and other long-term assets		495	755
Other cash receipts related to investing activities		-	58,235
Subtotal of cash inflows from investing activities		29,792	155,474
Cash paid for the purchase and construction of fixed assets, intangible assets and other long-term assets		503,365	48,700
Cash paid to acquire investments		3,539	416,625
Net cash received from disposal of subsidiaries and other business units		-	282,671
Subtotal of cash outflows from investing activities		506,904	747,996
Net cash flows used in investing activities		(477,112)	(592,522)



INTERIM CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

Six months ended 30 June 2020
RMB'000

	<i>Note VI</i>	Six months ended 30 June 2020 (Unaudited)	Six months ended 30 June 2019 (Unaudited)
III. CASH FLOWS FROM FINANCING ACTIVITIES:			
Cash received from capital contributions		10,460	5,475
Including: Cash received from minority shareholders' capital contributions to subsidiaries		10,460	5,475
Cash received from borrowings		1,886,873	2,348,848
Other cash receipts related to financing activities		-	472,835
Subtotal of cash inflows from financing activities		1,897,333	2,827,158
Cash paid for repayments of debts		1,619,448	2,117,326
Cash paid for distribution of dividends, profits or interest repayment		154,236	182,524
Other cash payments related to financing activities		67,435	115,000
Subtotal of cash outflows from financing activities		1,841,119	2,414,850
Net cash flows from financing activities		56,214	412,308
IV. EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		3,415	(4,520)
V. NET DECREASE IN CASH AND CASH EQUIVALENTS		(1,547,697)	(1,875,770)
Add: Opening balance of cash and cash equivalents		6,675,426	6,011,066
VI. CLOSING BALANCE OF CASH AND CASH EQUIVALENTS	28	5,127,729	4,135,296

The notes form an integral part of these financial statements



COMPANY BALANCE SHEET (UNAUDITED)

30 June 2020
RMB'000

Assets	30 June 2020 (Unaudited)	31 December 2019
Current assets		
Currency funds	4,337,312	5,566,335
Accounts receivable	4,619,305	4,133,415
Accounts receivable financing	793,880	902,718
Prepayments	766,312	1,009,335
Other receivables	1,816,958	1,803,262
Inventories	264,551	181,974
Contract assets	30,961,410	32,455,838
Other current assets	71,427	53,548
Total current assets	43,631,155	46,106,425
Non-current assets		
Long-term equity investments	2,635,048	2,554,241
Other equity instrument investments	734,007	779,054
Investment property	136,600	134,750
Fixed assets	145,663	135,070
Construction in progress	426,551	14,950
Right-of-use assets	11,267	19,287
Intangible assets	610	610
Deferred tax assets	148,093	133,558
Total non-current assets	4,237,839	3,771,520
Total assets	47,868,994	49,877,945

The notes form an integral part of these financial statements



COMPANY BALANCE SHEET (UNAUDITED)

30 June 2020
RMB'000

Liabilities and shareholders' equity	30 June 2020 (Unaudited)	31 December 2019
Current liabilities		
Short-term borrowings	1,780,717	1,812,213
Bills payable	192,738	124,828
Accounts payable	26,776,377	29,165,296
Contract liabilities	4,038,654	4,121,521
Employee benefits payable	105,796	97,881
Taxes payable	419,022	454,840
Other payables	5,109,877	4,758,205
Non-current liabilities due within one year	933,538	518,084
Other current liabilities	2,751,404	2,508,029
Total current liabilities	42,108,123	43,560,897
Non-current liabilities		
Long-term borrowings	294,684	785,464
Lease liabilities	3,875	13,087
Total non-current liabilities	298,559	798,551
Total liabilities	42,406,682	44,359,448
Shareholders' equity		
Share capital	1,761,384	1,761,384
Capital reserve	1,447,379	1,447,379
Other comprehensive income	91,080	123,730
Surplus reserve	228,135	228,135
Retained profit	1,934,334	1,957,869
Total shareholders' equity	5,462,312	5,518,497
Total liabilities and shareholders' equity	47,868,994	49,877,945

The notes form an integral part of these financial statements



COMPANY INCOME STATEMENT (UNAUDITED)

Six months ended 30 June 2020
RMB'000

	Six months ended 30 June 2020 (Unaudited)	Six months ended 30 June 2019 (Unaudited)
Operating revenue	12,138,555	16,213,130
Less: Operating costs	11,531,687	15,489,871
Taxes and surcharges	24,152	33,326
Selling costs	309	684
Administrative expenses	176,522	108,205
Research and development costs	7,417	33,626
Finance expenses	133,807	(730)
Including: Interest expenses	171,153	120,665
Interest income	33,931	125,915
Add: Other income	3,200	200
Investment income	26,182	17,801
Including: Gains/(losses) on investments in joint ventures and associates	1,182	(699)
Gains/(losses) from changes in fair values	1,850	(4,583)
Credit impairment (losses)/gains	(12,100)	20,995
Operating profit	283,793	582,561
Add: Non-operating income	611	9,492
Less: Non-operating expenses	1,437	341
Total profit	282,967	591,712
Less: Income tax expenses	59,908	137,684
Net profit	223,059	454,028
Other comprehensive income, net of tax	(32,650)	66,255
Other comprehensive income that cannot be reclassified to profit or loss		
Changes in fair value of other equity instrument investments	(33,785)	66,255
Other comprehensive income that will be reclassified to profit and loss		
Changes in fair value of accounts receivable financing	1,135	-
Total comprehensive income	190,409	520,283

The notes form an integral part of these financial statements



COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)

Six months ended 30 June 2020
RMB'000

	Share capital	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Retained profit	Total shareholders' equity
I. Opening balance of the period	<u>1,761,384</u>	<u>1,447,379</u>	<u>123,730</u>	<u>-</u>	<u>228,135</u>	<u>1,957,869</u>	<u>5,518,497</u>
II. Changes for the period							
(I) Total comprehensive income	-	-	(32,650)	-	-	223,059	190,409
(II) Profit distribution							
1. Distribution to shareholders	-	-	-	-	-	(246,594)	(246,594)
(III) Special reserve							
1. Appropriation for the period	-	-	-	(242,771)	-	242,771	-
2. Use in the period	-	-	-	242,771	-	(242,771)	-
III. Closing balance of the period	<u>1,761,384</u>	<u>1,447,379</u>	<u>91,080</u>	<u>-</u>	<u>228,135</u>	<u>1,934,334</u>	<u>5,462,312</u>

The notes form an integral part of these financial statements



COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)

Six months ended 30 June 2019
RMB'000

	Share capital	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Retained profit	Total shareholders' equity
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 period							
(I) Total comprehensive income	-	-	66,255	-	-	454,028	520,283
1. Effects of business combination under common control and the effect of disposal of discontinued operations	-	(80,777)	-	-	-	-	(80,777)
(II) Profit distribution							
1. Distribution to shareholders	-	-	-	-	-	(528,415)	(528,415)
(III) 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



COMPANY CASH FLOW STATEMENT (UNAUDITED)

Six months ended 30 June 2020
RMB'000

	Six months ended 30 June 2020 (Unaudited)	Six months ended 30 June 2019 (Unaudited)
I. CASH FLOWS USED IN OPERATING ACTIVITIES:		
Cash received from sales of goods or rendering of services	15,073,276	11,895,965
Other cash receipts related to operating activities	5,320,301	513,997
Subtotal of cash inflows from operating activities	20,393,577	12,409,962
Cash paid for goods and services	14,748,873	11,944,554
Cash paid to and for employees	328,122	259,696
Taxes paid	515,936	262,930
Other cash payments related to operating activities	5,289,109	1,285,320
Subtotal of cash outflows from operating activities	20,882,040	13,752,500
Net cash flows used in operating activities	(488,463)	(1,342,538)
II. CASH FLOWS USED IN INVESTING ACTIVITIES:		
Cash received from return of investment	33,932	144,415
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	8,739	195
Other cash receipts related to investing activities	-	58,235
Subtotal of cash inflows from investing activities	42,671	202,845
Cash paid for the purchase and construction of fixed assets, intangible assets and other long-term assets	438,244	8,328
Cash paid to acquire investments	81,499	692,638
Other cash payments related to investment activities	-	23,400
Subtotal of cash outflows from investing activities	519,743	724,366
Net cash flows used in investing activities	(477,072)	(521,521)



COMPANY CASH FLOW STATEMENT (UNAUDITED)

Six months ended 30 June 2020
RMB'000

	Six months ended 30 June 2020 (Unaudited)	Six months ended 30 June 2019 (Unaudited)
III. CASH FLOWS (USED IN)/FROM FINANCING ACTIVITIES:		
Cash received from borrowings	1,625,909	1,125,900
Other cash receipts related to financing activities	-	472,835
Subtotal of cash inflows from financing activities	1,625,909	1,598,735
Cash paid for repayments of debts	1,741,422	1,137,100
Cash paid for distribution of dividends, profits or interest repayment	98,536	119,661
Other cash payments related to financing activities	63,101	115,000
Subtotal of cash outflows from financing activities	1,903,059	1,371,761
Net cash flows (used in)/from financing activities	(277,150)	226,974
IV. EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	3,415	(4,520)
V. NET INCREASE IN CASH AND CASH EQUIVALENTS	(1,239,270)	(1,641,605)
Add: Opening balance of cash and cash equivalents	5,361,461	4,861,499
VI. CLOSING BALANCE OF CASH AND CASH EQUIVALENTS	4,122,191	3,219,894

The notes form an integral part of these financial statements



NOTES TO FINANCIAL STATEMENTS

Six months ended 30 June 2020
RMB'000

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 7 April 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 Zhonghinggaicai Guanghua Certified Public Accountants LLP with the capital verification report of Zhonghinggaicai Guanghua Yan Zi (2019) No. 309003. The registered capital of the Company increased to RMB1,761,383,500 after the initial public offering of H shares.





NOTES TO FINANCIAL STATEMENTS

Six months ended 30 June 2020
RMB'000

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.

The Group’s parent company and ultimate parent company are Zhongru Investment Co., Ltd. (incorporated in the PRC) and Qianbao Investment Co., Ltd. (incorporated in the PRC), respectively, with their principal place of business in the PRC.



II. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements were prepared in accordance with the Accounting Standards for Business Enterprises – Basic Standards issued by the Ministry of Finance, and the specific accounting standards, application guidance, interpretations and other relevant regulations issued and revised thereafter (hereafter referred to as the “Accounting Standards for Business Enterprises”).

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 the Chinese Accounting Standards and the Hong Kong Listing Rules

The interim consolidated financial statements have been prepared in accordance with the requirements of the Accounting Standards for Business Enterprises No. 32 – Interim Financial Reporting and Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), and give a true and fair view of the financial position of the Company and the Group as at 30 June 2020, and of their operating results and cash flows for the six months ended 30 June 2020.





NOTES TO FINANCIAL STATEMENTS

Six months ended 30 June 2020
RMB'000

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 2020 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 2020 to 30 June 2020.

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.



III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

3. Business combinations (Continued)

Business combinations under common control (Continued)

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.

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.

In a business combination not under common control, 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.





NOTES TO FINANCIAL STATEMENTS

Six months ended 30 June 2020
RMB'000

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

3. Business combinations (Continued)

Business combinations not under common control (Continued)

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.

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 minority interests.



III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

4. Consolidated financial statements (Continued)

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.

5. Joint arrangement classification and joint operation

Joint arrangement is classified as joint operation and joint venture. A joint operation refers to a joint arrangement whereby the parties concerned have rights to the assets, and obligations for the liabilities relating to the arrangement. A joint venture refers to a type of joint arrangement whereby the parties concerned have rights to the net assets of the arrangement.

The party concerned recognises following items in relation to its interest in a joint operation: its solely-held assets, including its share of any assets held jointly; its solely-assumed liabilities, including its share of any liabilities incurred jointly; its revenue from the sale of its share of the output arising from the joint operation; its share of the revenue from the sale of the output by the joint operation; and its solely-incurred expenses, including its share of any expenses incurred jointly.



NOTES TO FINANCIAL STATEMENTS

Six months ended 30 June 2020
RMB'000

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

6. 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.

7. 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)

8. 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.



NOTES TO FINANCIAL STATEMENTS

Six months ended 30 June 2020
RMB'000

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

8. 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.



III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

8. Financial instruments (Continued)

Classification and measurement of financial assets (Continued)

Debt instrument investments measured at fair value through other comprehensive income

A financial asset shall be measured at fair value through other comprehensive income if both of the following conditions are met: the financial asset is held by the Group within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and the contractual terms of the financial asset set that the cash flows on specified dates are solely payments of principal and interest on the outstanding amount of principal. The interest income from such financial asset is recognized using the effective interest method. The change in fair value of such financial asset shall be recognized in other comprehensive income, except for interest income, impairment losses and exchange differences recognized in profit or loss for the current period. When the financial asset is derecognized, the cumulative gains or losses previously recognized in other comprehensive income is reclassified from other comprehensive income to profit or loss for the current period.

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.





NOTES TO FINANCIAL STATEMENTS

Six months ended 30 June 2020
RMB'000

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

8. Financial instruments (Continued)

Classification and measurement of financial assets (Continued)

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.

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 subsequently measured at amortized cost by using the effective interest method.



III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

8. 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.

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 contract assets that 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.





NOTES TO FINANCIAL STATEMENTS

Six months ended 30 June 2020
RMB'000

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

8. Financial instruments (Continued)

Impairment of financial instruments (Continued)

The Group assesses whether or not the credit risk of the relevant financial instruments has increased significantly since the initial recognition at each balance sheet date. Based on the single financial instrument or the combination of financial instruments with similar characteristics of credit risk, the Group compares the risk of default of financial instruments on the balance sheet date with that on the initial recognition date in order to figure out the changes of default risk in the expected lifetime of financial instruments. 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.

Please refer to Note VIII-3 for disclosures including the Group's assumption of expected credit loss measurement.

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

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)

8. 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.





NOTES TO FINANCIAL STATEMENTS

Six months ended 30 June 2020
RMB'000

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

9. Inventories

Inventories are initially measured at cost. Inventories comprises raw material, properties under development and completed properties held for sale, 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. For the delivery of inventories, their actual costs are determined using the first-in first-out method. 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 and finished products and completed properties held for sale shall be provided by individual inventory item, and the costs of properties under development shall be provided by categories.



III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

10. 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 of the long-term equity investment 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.





NOTES TO FINANCIAL STATEMENTS

Six months ended 30 June 2020
RMB'000

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

10. 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)

10. 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.

11. 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.





NOTES TO FINANCIAL STATEMENTS

Six months ended 30 June 2020
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III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

12. 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
Buildings	20-30 years	3%	3.23%-4.85%
Machinery equipment	5-10 years	1%-10%	9.00%-19.80%
Transportation vehicles	5-12 years	5%	7.92%-19.00%
Office equipment and others	3-10 years	1%-5%	9.50%-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)

13. Construction in progress

Construction in progress is recognized at its actual costs, which include various necessary construction expenditures during the construction period, borrowing costs capitalized before it is ready for intended use and other relevant costs.

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

14. 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.





NOTES TO FINANCIAL STATEMENTS

Six months ended 30 June 2020
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III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

14. Borrowing costs (Continued)

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.

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.

15. 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)

15. 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.

16. Research and development expenditures

Internal research and development expenditures of the Group 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.



NOTES TO FINANCIAL STATEMENTS

Six months ended 30 June 2020
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III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

17. Impairment of assets

The Group determines impairment of assets excluding inventories, contract assets, investment properties measured at fair value model, deferred income taxes and finance assets using the below methods:

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 of the asset or asset group 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 shall be made.

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)

18. 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)

The Group's employees 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.

19. 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.





NOTES TO FINANCIAL STATEMENTS

Six months ended 30 June 2020
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III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

20. Revenue from contracts with customers

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

The property sale contracts between the Group and the customer generally contains the obligation of transferring the commercial housing only. The Group generally recognizes the revenue when the relevant goods are delivered and confirmed as accepted by the customer, on the basis of taking full consideration of the following factors: the transfer of the key risk and return in the goods ownership, the transfer of the legal ownership of goods, the transfer of the physical asset of the goods, and the acceptance of the goods by the customer.



III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

20. Revenue from contracts with customers (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 or services 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.





NOTES TO FINANCIAL STATEMENTS

Six months ended 30 June 2020
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III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

20. Revenue from contracts with customers (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.



III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

20. Revenue from contracts with customers (Continued)

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 original contract and the contract change part are merged into a new contract for accounting treatment;
- (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.





NOTES TO FINANCIAL STATEMENTS

Six months ended 30 June 2020
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III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

20. Revenue from contracts with customers (Continued)

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 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.

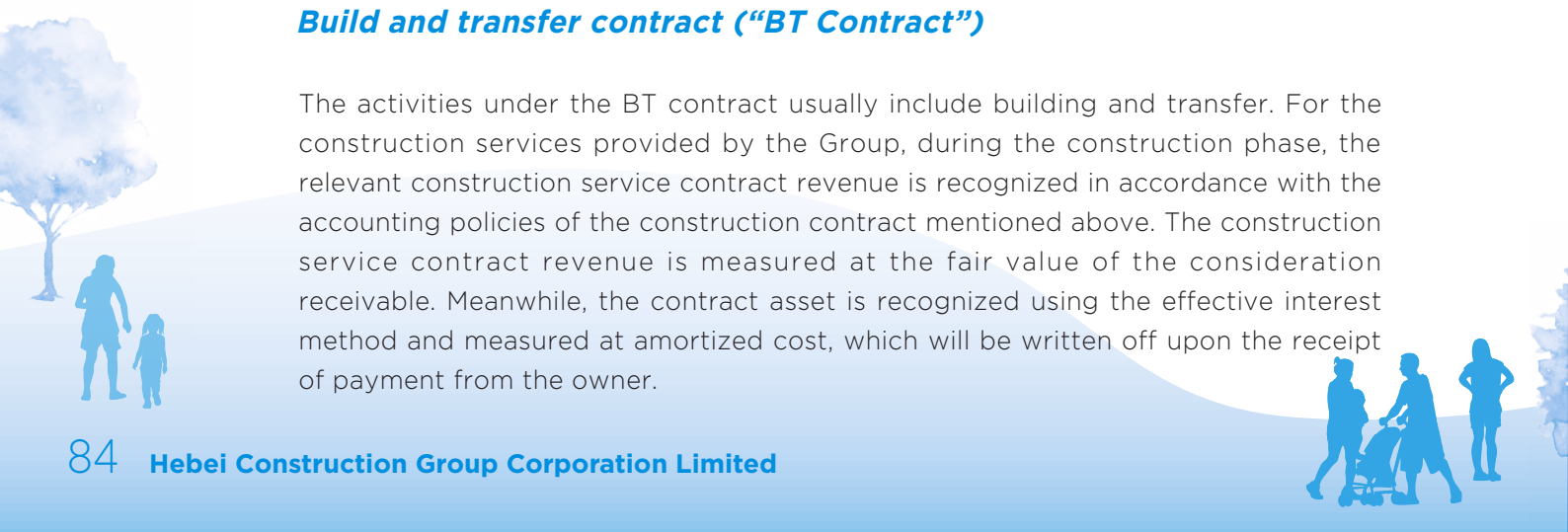
The Group, instead of recognising the revenue for those infrastructure construction being subcontracted to other parties other than providing actual construction service, recognises financial assets based on the costs incurred and paid during the construction and the contract arrangement of the project.

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 service ability of the relevant infrastructure or keep it 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.

Build and transfer contract (“BT Contract”)

The activities under the BT contract usually include building and transfer. For the construction services provided by the Group, during the construction phase, the relevant construction service contract revenue is recognized in accordance with the accounting policies of the construction contract mentioned above. The construction service contract revenue is measured at the fair value of the consideration receivable. Meanwhile, the contract asset is recognized using the effective interest method and measured at amortized cost, which will be written off upon the receipt of payment from the owner.



III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

21. 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. The Group presents contract assets and contract liabilities under the same contract as net amount after they offset each other.

Contract assets

The contract assets represent the rights to receive considerations for goods or service transferred to customers (subject to factors other than passage of time).

Please refer to Note III-8 for the Group's methods for determining and accounting for expected credit loss on contract assets.

Contract liabilities

The contract liabilities represent the the obligations for transfer of goods or service to customers for considerations received or receivable from customers, such as the relevant amounts received by the enterprises before transferring the promised goods or service.





NOTES TO FINANCIAL STATEMENTS

Six months ended 30 June 2020
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III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

22. Government grants

Government grant is recognised when the Group can comply with the conditions attached to it and it can be received. If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount received or receivable. If a government grant is in the form of a transfer of a non-monetary asset, it is measured at fair value; if fair value is not reliably determinable, it is measured at a nominal amount. A government grant related to income is accounted as follows: if the grant is a compensation for related costs or losses to be incurred in subsequent periods, the grant is recognised as deferred income, and recognised in profit or loss or reduced related costs over the periods in which the related costs are recognised; if the grant is a compensation for related expenses or losses already incurred, it is recognised immediately in profit or loss of the current period. A government grant related to an asset shall be deducted from the carrying amount of the asset; or recognised as deferred income and included in profit or loss over the useful life of the related asset with a reasonable and systemic method, except that a government grant measured at a nominal amount is recognised immediately in profit or loss in the current period. Where the relevant asset is sold, transferred, scrapped or damaged prior to the end of its useful life, the related undistributed deferred income is transferred to the profit or loss of the disposal period.

23. Income tax

Income tax comprises current and deferred tax. Income tax is recognised as an expense or income 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 carry amounts of assets and liabilities and their tax bases, 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 income taxes are provided using the liability method in the balance sheet.



III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

23. Income tax (Continued)

A deferred income 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.
- (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.
- (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 deductible temporary differences can be utilised in the future.

At the balance sheet date, deferred income 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.



NOTES TO FINANCIAL STATEMENTS

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III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

23. 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 income tax assets and liabilities 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, 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.

24. Leases

Identification of leases

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)

24. Leases (Continued)

Identification of separate leases

Where the contract contains multiple separate leases, the Group will split the contract and separate the leases for accounting treatment. The right to use the identified asset constitutes a separate lease in the contract if the following conditions are met:

- (1) The lessee can profit from using the asset alone or in conjunction with other resources that are readily available;
- (2) The asset does not have a high degree of dependency or a high degree of association with other assets in the contract.

Split for the lease and non-lease components

If both lease and non-lease components are included in the contract, the lease and non-lease components shall be split and processed by the Group as lessor and lessee.

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 option to continue to lease the asset and can 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 option to terminate lease of the assets and can 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 purchase option or not to exercise the option to terminate lease.





NOTES TO FINANCIAL STATEMENTS

Six months ended 30 June 2020
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III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

24. Leases (Continued)

As lessee

Right-of-use assets

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: the initially measured amount of lease liabilities; 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; the initial direct expenses by lessee; and the cost expected to incur by lessee to dismantle and remove the leased assets, restore the site where leased assets are 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 depreciated over the shorter of the lease term or the remaining useful life of the leased assets.

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.



III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

24. Leases (Continued)

As lessee (Continued)

Lease liabilities

On the commencement date of the lease term, the Groups recognises the present value of the outstanding lease payments 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 interest rate implicit in the lease as the discount rate; if the interest rate implicit in 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, except for those included in the costs of the relevant assets as otherwise specified.

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.

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 RMB30,000 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 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.





NOTES TO FINANCIAL STATEMENTS

Six months ended 30 June 2020
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III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

24. Leases (Continued)

As lessor

At the lease commencement date, leases that substantially transfer almost all the risks and rewards related to the ownership of leased assets are classified as finance leases, and all other leases are classified as operating leases. When the Group is an intermediate lessor, the sublease is classified as a finance lease or an operating lease by reference to the right-of-use assets arising from the head 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. The variable lease payments not included in the measurement of the lease liability shall be recognized in profit or loss in the period when it occurs.

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.

25. 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.



III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

26. Profit distribution

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

27. 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 an 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.

28. 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 the market 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 best use or by selling it to another market participant that would use the asset at its best use.





NOTES TO FINANCIAL STATEMENTS

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III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

28. Fair value measurement (Continued)

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 prioritizes 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 measured or presented at fair value 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.

29. 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:



III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

29. Significant accounting judgements and estimates (Continued)

Judgements (Continued)

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 performance progress of construction contract (only apply to the situation where the control is transferred over a period of time)

The Group determines the performance progress of the construction contract in accordance with the input method. Specifically, the Group determines the performance progress 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 price of construction contract 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. 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.





NOTES TO FINANCIAL STATEMENTS

Six months ended 30 June 2020
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III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

29. 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)

29. Significant accounting judgements and estimates (Continued)

Judgements (Continued)

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

The Group 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 Group considered that despite the less than 20% shareholding in each of Yizongliangheng, Zhongyuan Environmental and Bozhou Xiangju, the Group 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 Group may exercise significant influence over Yizongliangheng, Zhongyuan Environmental and Bozhou Xiangju, and the Group’s equity investment in these companies are accounted for as investment in associates.

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

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 Group 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 accounts for Baoding Zhucheng as an associate.



NOTES TO FINANCIAL STATEMENTS

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III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

29. Significant accounting judgements and estimates (Continued)

Judgements (Continued)

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 the New Revenue Standard by the Group on 1 January 2018, such concession right asset was accounted for as contract asset.

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 and contract assets

The Group uses the expected credit loss model to assess the impairment of financial instruments and contract assets. 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. Different estimates may affect the provision for impairment losses. The provision for impairment losses may not be equal to the actual amount of impairment losses in the future.



III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

29. Significant accounting judgements and estimates (Continued)

Estimation uncertainty (Continued)

Fair value of unlisted equity investments

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”) ratio or price to earnings (“P/E”) ratio. 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.

Deferred income tax assets

Deferred income tax assets are recognised for all unused deductible losses to the extent that it is probable that taxable profit will be available against which the deductible 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.

Revenue from construction contracting business

For construction contracting business, the Group mainly satisfies the relevant performance obligations over time and the revenue is recognised during the contract period based on the performance progress, which is determined by input method. The Group’s management makes reasonable estimates on the expected total contract revenue and total contract costs based on the budgets prepared for construction contracting projects to determine the performance progress and identify onerous contracts. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. Due to the nature of activities associated with construction, the Group has to continuously assess and revise the budget prepared for each construction contract throughout the contract period. Revision may have effect on revenue, profit and other items related to construction contracting business during the period when the revision incurred.



NOTES TO FINANCIAL STATEMENTS

Six months ended 30 June 2020
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III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

29. 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 costs; (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.

Incremental borrowing rate of the lessee

For leases of which the interest rate implicit in the lease cannot be determined, the Group uses the lessee's incremental borrowing rate as the discount rate to calculate the present value of the lease payment. When determining the incremental borrowing rate, the Group uses the observable interest rate as the reference basis for determining the incremental borrowing rate based on the current economic environment. On this basis, the reference interest rate is adjusted according to the specific conditions of the lease business such as its own situation, the underlying asset situation, the lease period and the amount of lease liability in order to calculate the applicable incremental borrowing rate.



III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

30. Change in accounting policies and estimates

Scope of disclosure of related parties

According to the requirements of the Accounting Standards for Business Enterprises – Interpretation No. 13, since 1 January 2020, the following parties not deemed as related parties previously shall be related parties: joint ventures and their subsidiaries or associates and their subsidiaries of other members (including parent company and subsidiaries) within the same group as the Company. Such change in accounting policies has affected the determination of related parties and disclosure of related party transactions, and no retrospective adjustment to comparative data is required according to the transitional provisions.





NOTES TO FINANCIAL STATEMENTS

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IV. TAXATION

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

- | | | |
|---------------------------------------|---|--|
| Value-added tax (VAT) | - | The output tax of general taxpayers shall be levied at tax rate of 13% on the taxable income, and the VAT shall be levied after deducting the deductible input tax for the current period. The VAT of small scale taxpayers shall be levied at tax rate of 3% on the taxable income. |
| City maintenance and construction tax | - | It is levied at 7%, 5% and 1% 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) | - | The EIT is levied at 25% on the taxable income. |
| 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	
HCG Tianchen Construction Engineering Co., Ltd.	PRC/PRC	Infrastructure construction	400,000	87	13	100
HCG Installment Engineering Co., Ltd.	PRC/PRC	Infrastructure construction	180,000	61	39	100
Hebei Construction Group Garden Engineering Co., Ltd.	PRC/PRC	Garden engineering	108,000	100	-	100
HCG Zhuocheng Road and Bridge Engineering Co., Ltd.	PRC/PRC	Infrastructure construction	105,000	95	5	100
Hebei Construction Group Decoration Engineering Co., Ltd.	PRC/PRC	Infrastructure construction	101,000	100	-	100
Baoding Zhongze Water Supply Co., Ltd.	PRC/PRC	Water production and supply	50,000	75	-	75
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



NOTES TO FINANCIAL STATEMENTS

Six months ended 30 June 2020
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VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

1. Currency funds

	30 June 2020 (Unaudited)	31 December 2019
Cash on hand	14,451	19,265
Bank deposits	4,541,959	6,008,387
Other currency funds	908,704	1,017,618
	5,465,114	7,045,270

As at 30 June 2020, the Group's currency funds with restricted ownership amounted to RMB337,385,000 (31 December 2019: RMB369,844,000). Please refer to Note VI-13.

2. Accounts receivable

The accounts receivable of the Group are mainly for the provision of construction services. Except for the quality guarantee deposits receivable for engineering projects with unconditional right to receive payment, the credit period of accounts receivable is usually 1 to 3 months. The credit period of the quality guarantee deposit receivables for engineering projects is usually two to five years subsequent to the completion of construction and acceptance inspection. All accounts receivable are non-interest-bearing.



VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**2. Accounts receivable** (Continued)

The ageing analysis of accounts receivable is as follows:

	30 June 2020 (Unaudited)	31 December 2019
Within 1 year	4,462,136	4,718,478
1 to 2 years	1,457,225	707,684
2 to 3 years	401,938	483,087
Over 3 years	442,086	574,528
	6,763,385	6,483,777
Less: Bad debt allowance on accounts receivable	754,485	735,091
	6,008,900	5,748,686

Except for project quality deposits receivable, the ageing of accounts receivable was calculated since the invoice date.

Movements in bad debt allowance on accounts receivable are as follows:

	Opening balance	Accrual during the period/year	Recovery or reversal during the period/year	Closing balance
Six months ended 30 June 2020 (Unaudited)	735,091	297,223	(277,829)	754,485
2019	739,815	516,489	(521,213)	735,091



NOTES TO FINANCIAL STATEMENTS

Six months ended 30 June 2020
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VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Accounts receivable (Continued)

Accounts receivable and bad debt provisions are disclosed by category as follows:

	30 June 2020			
	Carrying amount		Provision for impairment	
	Amount	Proportion (%)	Amount	Provision ratio (%)
Individual impairment provision	656,163	10	271,227	41
Provision for impairment according to credit risk portfolio	6,107,222	90	483,258	8
	6,763,385	100	754,485	

	31 December 2019			
	Carrying amount		Provision for impairment	
	Amount	Proportion (%)	Amount	Provision ratio (%)
Individual impairment provision	1,116,667	17	291,151	26
Provision for impairment according to credit risk portfolio	5,367,110	83	443,940	8
	6,483,777	100	735,091	



VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**2. Accounts receivable** (Continued)

The expected credit loss on accounts receivable is as follows:

	30 June 2020 (Unaudited)			31 December 2019		
	Closing balance of estimated default	Expected credit loss rate (%)	Lifetime expected credit loss	Closing balance of estimated default	Expected credit loss rate (%)	Lifetime expected credit loss
Within 1 year	4,431,112	0.03	1,225	4,389,706	0.00	38
1 to 2 years	1,223,892	2.44	29,815	538,653	0.96	5,151
2 to 3 years	210,799	100	210,799	194,189	100	194,189
3 to 4 years	115,494	100	115,494	125,697	100	125,697
4 to 5 years	32,295	100	32,295	58,928	100	58,928
Over 5 years	93,630	100	93,630	59,937	100	59,937
	6,107,222		483,258	5,367,110		443,940

As at 30 June 2020, the Group made bad debt allowance of RMB297,223,000 (31 December 2019: RMB516,489,000), and recovered or reversed bad debt allowance of RMB277,829,000 (31 December 2019: RMB521,213,000).

As at 30 June 2020, the Group's accounts receivable with restricted ownership amounted to RMB638,333,000 (31 December 2019: RMB16,451,000). Please refer to Note VI-13.



NOTES TO FINANCIAL STATEMENTS

Six months ended 30 June 2020
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VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Accounts receivable financing

	30 June 2020 (Unaudited)	31 December 2019
Bank acceptance bill	189,005	294,509
Commercial acceptance bill	900,978	963,251
	1,089,983	1,257,760

4. Prepayments

The ageing analysis of prepayments is as follows:

	30 June 2020 (Unaudited)	31 December 2019
Within 1 year	1,145,242	1,146,057
1 to 2 years	101,769	127,577
2 to 3 years	4,283	8,713
Over 3 years	-	2,821
	1,251,294	1,285,168



VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**5. Other receivables**

The ageing analysis of other receivables is as follows:

	30 June 2020 (Unaudited)	31 December 2019
Within credit period and 1 year	1,780,219	2,491,364
1 to 2 years	662,827	26,515
2 to 3 years	21,354	41,640
Over 3 years	71,640	30,000
	2,536,040	2,589,519
Less: Bad debt allowance on other receivables	118,359	120,520
	2,417,681	2,468,999



NOTES TO FINANCIAL STATEMENTS

Six months ended 30 June 2020
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VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. 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:

Six months ended 30 June 2020 (Unaudited)

	Stage 1 Expected credit losses in the next 12 months	Stage 2 The lifetime expected credit losses	Stage 3 Credit impaired financial assets (The lifetime expected credit losses)	Total
Opening balance	1,478	26,761	92,281	120,520
Opening balance of the period	1,478	26,761	92,281	120,520
- Move to stage 2	(1,459)	1,459	-	-
- Reverse to stage 1	2,863	(2,863)	-	-
Provision during the period	722	-	-	722
Reversal during the period	(2,883)	-	-	(2,883)
Closing balance	721	25,357	92,281	118,359



VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**5. Other receivables** (Continued)

2019

	Stage 1	Stage 2	Stage 3 Credit impaired financial assets (The lifetime expected credit losses)	Total
	Expected credit losses in the next 12 months	The lifetime expected credit losses		
Opening balance	113,928	62,258	54,040	230,226
Opening balance of the year	113,928	62,258	54,040	230,226
- Move to stage 2	(26,537)	26,537	-	-
- Reverse to stage 1	82,034	(62,034)	(20,000)	-
Provision during the year	1,478	-	58,241	59,719
Reversal during the year	(106,359)	-	-	(106,359)
Effect of disposal of subsidiaries	(63,066)	-	-	(63,066)
Closing balance	1,478	26,761	92,281	120,520



NOTES TO FINANCIAL STATEMENTS

Six months ended 30 June 2020
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VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. Other receivables (Continued)

Significant changes on book balance of other receivables that affected the change in loss allowance as of 30 June 2020 included: the carrying amount of other receivables with long maturity decreased by RMB2,863,000 due to the improvement of the debtor's financial conditions. The Group recovered relevant receivables during the period with details as follows:

Six months ended 30 June 2020 (Unaudited)

	Stage 1 Expected credit losses in the next 12 months	Stage 2 The lifetime expected credit losses	Stage 3 Credit impaired financial assets (The lifetime expected credit losses)	Total
Opening balance	2,464,501	32,737	92,281	2,589,519
Opening balance of the period	2,464,501	32,737	92,281	2,589,519
- Move to stage 2	(20,463)	20,463	-	-
- Reverse to stage 1	2,863	(2,863)	-	-
Changes during the period	(37,445)	(16,034)	-	(53,479)
Closing balance	2,409,456	34,303	92,281	2,536,040



VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**5. Other receivables** (Continued)

2019

	Stage 1	Stage 2	Stage 3 Credit impaired financial assets (The lifetime expected credit losses)	Total
	Expected credit losses in the next 12 months	The lifetime expected credit losses		
Opening balance	4,205,240	62,258	54,040	4,321,538
Opening balance of the year	4,205,240	62,258	54,040	4,321,538
- Move to stage 2	(32,513)	32,513	-	-
- Reverse to stage 1	82,034	(62,034)	(20,000)	-
Changes during the year	(34,376)	-	58,241	23,865
Effect of disposal of subsidiaries	(1,755,884)	-	-	(1,755,884)
Closing balance	<u>2,464,501</u>	<u>32,737</u>	<u>92,281</u>	<u>2,589,519</u>



NOTES TO FINANCIAL STATEMENTS

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

6. Contract assets

	30 June 2020 (Unaudited)			31 December 2019		
	Book balance	Impairment provision	Carrying amount	Book balance	Impairment provision	Carrying amount
Completed but unsettled	<u>41,513,276</u>	<u>(190,989)</u>	<u>41,322,287</u>	<u>40,678,932</u>	<u>(160,030)</u>	<u>40,518,902</u>
Including:						
Non-current assets	<u>1,507,154</u>	<u>(75,665)</u>	<u>1,431,489</u>	<u>1,332,759</u>	<u>(45,333)</u>	<u>1,287,426</u>

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 accounts receivable).

The Group sells equipment to customers and provides the installation services in respect thereof, both of which constitute a single performance obligation. The Group recognizes the revenue generated from the sales of equipment to form contract assets after the control of equipment is transferred upon delivery and the examination and acceptance by customers. The contract assets form an unconditional right to consideration and carry to accounts receivable after the installation of equipment is completed.

The Group provides construction services to customers and recognizes revenue over a period of time to form contract assets. The contract assets form an unconditional right to consideration and carry to accounts receivable upon the settlement of projects.

The movements in the loss allowance for impairment of contract assets are as follows:

	Opening balance	Charge for the period/year	Written back during the period/year	Closing balance
Six months ended 30 June 2020 (Unaudited)	<u>160,030</u>	<u>111,968</u>	<u>(81,009)</u>	<u>190,989</u>
2019	148,871	150,423	(139,264)	160,030



VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**6. Contract assets** (Continued)

	30 June 2020 (Unaudited)			
	Carrying amount		Impairment provision	
	Amount	Proportion (%)	Amount	Provision ratio (%)
Individual impairment provision	1,371,290	3	140,399	10
Provision for impairment according to credit risk portfolio	40,141,986	97	50,590	0.13
	41,513,276	100	190,989	

	31 December 2019			
	Carrying amount		Impairment provision	
	Amount	Proportion (%)	Amount	Provision ratio (%)
Individual impairment provision	1,696,931	4	145,541	9
Provision for impairment according to credit risk portfolio	38,982,001	96	14,489	0.04
	40,678,932	100	160,030	

As at 30 June 2020, the Group's contract assets with restricted ownership amounted to RMB1,944,141,000 (31 December 2019: 1,295,121,000). For details, please refer to Note VI-13.



NOTES TO FINANCIAL STATEMENTS

Six months ended 30 June 2020
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VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. Other current assets

	30 June 2020 (Unaudited)	31 December 2019
Prepaid VAT	54,921	33,735
Prepaid VAT and deductible input tax	39,157	16,470
Prepaid surcharges	33,612	41,158
Prepaid personal income tax	12,689	9,223
Prepaid land use tax	10,631	3,333
Prepaid stamp duty	9,502	9,197
Others	5,258	4,620
	165,770	117,736

8. Long-term receivables

The Group's long-term receivables are mainly for provision of build-operate-transfer water supply services. The amounts due to the Group by customers under the construction services for comprehensive renovation projects will be settled in installments during a period from 1 to 25 years.

	30 June 2020 (Unaudited)	31 December 2019
Receivables under concession projects	119,880	119,901
Less: Long-term receivables due within one year	26,061	26,061
	93,819	93,840

The ageing of long-term receivables shall be calculated since the date when the budget needed for the completion of concession project is settled. The management of the Group considers that there is no need to provide for bad debts for the long-term receivables as they were not past due as of 30 June 2020.



VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**9. Long-term equity investments**

	30 June 2020 (Unaudited)	31 December 2019
Joint ventures		
Qinhuangdao Yuanyi Road Construction Management Co., Ltd.	406,244	405,918
Financial guarantee for a joint venture Beijing Rungucheng Investment Management Co., Ltd.	15,742	15,742
	1,358	1,443
Associates		
Yizongliangheng	56,753	56,755
Rongcheng County Hengda Construction Investment Co., Ltd.	29,165	29,141
Bozhou Xiangju	16,409	15,576
Zhongyuan Environmental	5,440	5,440
	531,111	530,015



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

9. Long-term equity investments (Continued)

Key information of joint ventures and associates:

30 June 2020 (Unaudited):

	Principal place of business/place of registration	Nature of business	Registered capital	Shareholding (%)	Accounting treatment
Joint ventures					
Qinhuangdao Yuanyi Road Construction Management Co., Ltd.	PRC/PRC	Road management	200,000	49.5	Equity method
Beijing Rungucheng Investment Management Co., Ltd.	PRC/PRC	Investment management	10,000	30	Equity method
Associates					
Zhongyuan Environmental	PRC/PRC	Construction management	167,380	5	Equity method
Bozhou Xiangju	PRC/PRC	Construction management	150,000	11	Equity method
Yizongliangheng	PRC/PRC	Road management	100,000	15	Equity method
Rongcheng County Hengda Construction Investment Co., Ltd.	PRC/PRC	Construction investment	100,000	29	Equity method



VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**9. Long-term equity investments** (Continued)

31 December 2019:

	Principal place of business/place of registration	Nature of business	Registered capital	Shareholding (%)	Accounting treatment
Joint ventures					
Qinhuangdao Yuanyi Road Construction Management Co., Ltd.	PRC/PRC	Road management	200,000	49.5	Equity method
Beijing Rungucheng Investment Management Co., Ltd.	PRC/PRC	Investment management	10,000	30	Equity method
Associates					
Zhongyuan Environmental	PRC/PRC	Construction management	167,380	5	Equity method
Bozhou Xiangju	PRC/PRC	Construction management	150,000	11	Equity method
Yizongliangheng	PRC/PRC	Road management	100,000	15	Equity method
Rongcheng County Hengda Construction Investment Co., Ltd.	PRC/PRC	Construction investment	100,000	29	Equity method



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

9. Long-term equity investments (Continued)

The following table sets forth the consolidated financial information of joint ventures that are immaterial to the Group:

	30 June 2020 (Unaudited)	31 December 2019
Total carrying values of investment	531,111	530,015
Total amounts calculated as per shareholding as follows		
Net profit	1,096	8,572
Total comprehensive income	1,096	8,572

As at the balance sheet date, 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)**10. Other equity instrument investments****30 June 2020 (Unaudited)**

	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
Baoding Commercial Bank Co., Ltd.	107,500	553,000	-	Strategic investment
Baoding Taihang Heyi Cement Co., Ltd.	39,000	79,000	25,000	Strategic investment
Qinhuangdao Smooth Road Construction and Management Co., Ltd.	7,000	13,000	-	Strategic investment
China Risun Group Co., Ltd.	(22,880)	89,007	-	Strategic investment
	130,620	734,007	25,000	



NOTES TO FINANCIAL STATEMENTS

Six months ended 30 June 2020
RMB'000

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

10. Other equity instrument investments (Continued)

31 December 2019

	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
Baoding Commercial Bank Co., Ltd.	103,500	549,000	59,400	Strategic investment
Baoding Taihang Heyi Cement Co., Ltd.	73,000	113,000	18,500	Strategic investment
Qinhuangdao Smooth Road Construction and Management Co., Ltd.	7,000	10,000	-	Strategic investment
China Risun Group Co., Ltd.	(4,833)	107,054	7,241	Strategic investment
	<u>178,667</u>	<u>779,054</u>	<u>85,141</u>	

As at 30 June 2020, the management of the Group considers that no impairment provision is required for other equity instrument investments.



VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**11. Fixed assets****Six months ended 30 June 2020 (Unaudited)**

	Buildings	Machinery equipment	Vehicles	Office equipment and others	Total
Cost					
Opening balance	295,424	178,735	79,967	96,990	651,116
Acquisitions	20,094	474	1,736	3,519	25,823
Disposal or retirement	-	(829)	(7,114)	-	(7,943)
Closing balance	<u>315,518</u>	<u>178,380</u>	<u>74,589</u>	<u>100,509</u>	<u>668,996</u>
Accumulated depreciation					
Opening balance	(37,059)	(102,672)	(55,684)	(77,584)	(272,999)
Provision	(7,664)	(8,176)	(3,368)	(3,827)	(23,035)
Disposal or retirement	-	804	6,763	-	7,567
Closing balance	<u>(44,723)</u>	<u>(110,044)</u>	<u>(52,289)</u>	<u>(81,411)</u>	<u>(288,467)</u>
Carrying amount					
At the end of the period	<u>270,795</u>	<u>68,336</u>	<u>22,300</u>	<u>19,098</u>	<u>380,529</u>
At the beginning of the period	<u>258,365</u>	<u>76,063</u>	<u>24,283</u>	<u>19,406</u>	<u>378,117</u>



NOTES TO FINANCIAL STATEMENTS

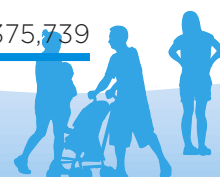
Six months ended 30 June 2020
RMB'000

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

11. Fixed assets (Continued)

2019

	Buildings	Machinery equipment	Vehicles	Office equipment and others	Total
Cost					
Opening balance	290,650	159,302	85,866	97,457	633,275
Acquisitions	20,603	21,060	14,831	5,594	62,088
Transfer from construction in progress	5,262	-	-	-	5,262
Disposal or retirement	(10,691)	(1,366)	(11,638)	(756)	(24,451)
Disposal of subsidiaries	<u>(10,400)</u>	<u>(261)</u>	<u>(9,092)</u>	<u>(5,305)</u>	<u>(25,058)</u>
Closing balance	<u>295,424</u>	<u>178,735</u>	<u>79,967</u>	<u>96,990</u>	<u>651,116</u>
Accumulated depreciation					
Opening balance	(25,709)	(89,436)	(67,263)	(75,128)	(257,536)
Provision	(14,736)	(14,454)	(6,915)	(8,687)	(44,792)
Disposal or retirement	110	1,154	10,923	2,141	14,328
Disposal of subsidiaries	<u>3,276</u>	<u>64</u>	<u>7,571</u>	<u>4,090</u>	<u>15,001</u>
Closing balance	<u>(37,059)</u>	<u>(102,672)</u>	<u>(55,684)</u>	<u>(77,584)</u>	<u>(272,999)</u>
Carrying amount					
At the end of the year	<u>258,365</u>	<u>76,063</u>	<u>24,283</u>	<u>19,406</u>	<u>378,117</u>
At the beginning of the year	<u>264,941</u>	<u>69,866</u>	<u>18,603</u>	<u>22,329</u>	<u>375,739</u>



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

11. Fixed assets (Continued)

As at 30 June 2020, the Group pledged a fixed asset of RMB156,652,000 to secure a long-term bank borrowing of more than five years of RMB82,520,000 and pledge a fixed asset of RMB24,353,000 to secure a short-term borrowing of one year of RMB17,500,000 (31 December 2019: the Group pledged a fixed asset of RMB159,514,000 to secure a long-term bank borrowing of more than five years of RMB111,680,000). For details, please refer to Note VI-13.

As at 30 June 2020, the management of the Group considers that no impairment provision is required for fixed assets.





NOTES TO FINANCIAL STATEMENTS

Six months ended 30 June 2020
RMB'000

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

12. Right-of-use assets

Six months ended 30 June 2020 (Unaudited)

	Buildings	Machinery equipment	Total
Cost			
Opening balance	23,572	33,380	56,952
Addition	58	1,609	1,667
Disposal	(10,683)	(577)	(11,260)
Closing balance	<u>12,947</u>	<u>34,412</u>	<u>47,359</u>
Accumulated depreciation			
Opening balance	(8,858)	(1,550)	(10,408)
Provision	(1,748)	(797)	(2,545)
Disposal or retirement	4,948	89	5,037
Closing balance	<u>(5,658)</u>	<u>(2,258)</u>	<u>(7,916)</u>
Carrying amount			
At the end of the period	<u>7,289</u>	<u>32,154</u>	<u>39,443</u>
At the beginning of the period	<u>14,714</u>	<u>31,830</u>	<u>46,544</u>



VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**12. Right-of-use assets** (Continued)

2019

	Buildings	Machinery equipment	Total
Cost			
Opening balance	22,645	-	22,645
Addition	927	33,380	34,307
Closing balance	23,572	33,380	56,952
Accumulated depreciation			
Opening balance	(4,922)	-	(4,922)
Provision	(3,936)	(1,550)	(5,486)
Closing balance	(8,858)	(1,550)	(10,408)
Carrying amount			
At the end of the year	14,714	31,830	46,544
At the beginning of the year	17,723	-	17,723

As at 30 June 2020, the management of the Group considers that no impairment provision is required for right-of-use assets.



NOTES TO FINANCIAL STATEMENTS

Six months ended 30 June 2020
RMB'000

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

13. Assets with restricted ownership

	30 June 2020 (Unaudited)	31 December 2019	
Currency funds	337,385	369,844	<i>Note 1</i>
Accounts receivable	638,333	16,451	<i>Note 2</i>
Contract assets	1,944,141	1,295,121	<i>Notes 2 and 3</i>
Other equity instrument investments	55,515	53,527	<i>Note 4</i>
Investment property	136,600	134,750	<i>Note 5</i>
Fixed assets	181,005	159,514	<i>Note 6</i>
	3,292,979	2,029,207	

Note 1: As at 30 June 2020, the Group's currency funds with restricted ownership included bill deposits of RMB130,398,000, legally freezing of RMB179,093,000, letters of guarantee of RMB15,934,000 and time deposit certificate pledge of RMB11,960,000; as at 31 December 2019, the Group's currency funds with restricted ownership included bill deposits of RMB141,118,000, letters of guarantee of RMB15,993,000, with legally freezing of RMB202,733,000 and time deposit certificate pledge of RMB10,000,000.

Note 2: As at 30 June 2020, the Group obtained a short-term bank borrowings of RMB472,000,000 jointly secured by accounts receivable with the carrying amount of RMB544,514,000 and contract assets with the carrying amount of RMB717,373,000. The Group obtained a long-term bank borrowings of more than five years of RMB66,354,000 jointly secured by accounts receivable with the carrying amount of RMB93,819,000 and contract assets with the carrying amount of RMB266,040,000; As at 31 December 2019, the Group obtained a short-term bank borrowings of RMB212,000,000 jointly secured by accounts receivable with the carrying amount of RMB16,451,000 and contract assets with the carrying amount of RMB637,503,000.

Note 3: As at 30 June 2020, the Group obtained a long-term bank borrowings of more than five years of RMB915,540,000 secured by contract assets with the carrying amount of RMB960,728,000; as at 31 December 2019, the Group obtained a long-term bank borrowings of more than five years of RMB578,280,000 secured by contract assets with the carrying amount of RMB657,618,000.

Note 4: As at 30 June 2020, the Group obtained a long-term borrowings of RMB45,684,000 secured by other equity investment with the carrying amount of RMB55,515,000; as at 31 December 2019, the Group obtained a bank borrowings of two years of RMB55,617,000 secured by other equity investment with the carrying amount of RMB53,527,000.



VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**13. Assets with restricted ownership** (Continued)

Note 5: As at 30 June 2020, the Group obtained a short-term bank borrowings of RMB100,000,000 secured by investment property with the carrying amount of RMB136,600,000; as at 31 December 2019, the Group obtained a short-term bank borrowings of RMB100,000,000 secured by investment property with the carrying amount of RMB134,750,000.

Note 6: As at 30 June 2020, the Group obtained a long-term bank borrowings of RMB82,520,000 secured by fixed assets with carrying amount of RMB156,652,000, and obtained a short-term bank borrowings of one year of RMB17,500,000 secured by fix assets with carrying amount of RMB24,353,000. As at 31 December 2019, the Group obtained a long-term bank borrowings of more than five years of RMB111,680,000 secured by fixed assets with carrying amount of RMB159,514,000.

14. Short-term borrowings

	30 June 2020 (Unaudited)	31 December 2019
Guaranteed loans	864,000	810,000
Unsecured loans	782,517	1,128,713
Loans secured by pledges	472,000	212,000
Loans secured by mortgages	117,500	100,000
	2,236,017	2,250,713

As at 30 June 2020, interest rates of the above borrowings ranged from 4.2% to 10.0% per annum (31 December 2019: 4.4% to 10.0%).



NOTES TO FINANCIAL STATEMENTS

Six months ended 30 June 2020
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VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15. 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 2020 (Unaudited)	31 December 2019
Within 1 year	23,844,961	26,760,003
1 to 2 years	8,478,417	7,669,895
2 to 3 years	2,103,107	1,296,826
Over 3 years	452,229	219,528
	34,878,714	35,946,252

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

16. Other current liabilities

	30 June 2020 (Unaudited)	31 December 2019
VAT amounts to be transferred to output	3,313,518	3,000,829
Financial guarantee contracts	14,886	15,742
	3,328,404	3,016,571



VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**17. Long-term borrowings**

	30 June 2020 (Unaudited)	31 December 2019
Guaranteed loans	1,948,847	2,022,347
Guaranteed loans and loans secured by pledges	621,894	458,280
Loans secured by pledges	360,000	120,000
Loans secured by mortgages	128,204	167,297
Unsecured loans	10,000	10,000
	3,068,945	2,777,924
Less: Long-term borrowings due within one year	1,489,947	913,500
	1,578,998	1,864,424

As at 30 June 2020, interest rates of the above borrowings are 4.6% to 12.0% per annum (31 December 2019: 4.6%-12.0%).

The term analysis of long-term borrowings is as follows:

	30 June 2020 (Unaudited)	31 December 2019
Long-term borrowings		
Withing 1 year	1,489,947	917,500
1 to 2 years	597,104	1,184,714
2 to 5 years	-	181,430
Over 5 years	981,894	494,280
	3,068,945	2,777,924



NOTES TO FINANCIAL STATEMENTS

Six months ended 30 June 2020
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VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18. Lease liabilities

	30 June 2020 (Unaudited)	31 December 2019
Lease liabilities of machinery equipment	18,709	22,032
Lease liabilities of buildings	10,687	16,693
	29,396	38,725
Less: Lease liabilities due within one year	14,116	8,900
	15,280	29,825

19. Share capital

	30 June 2020 (Unaudited)		31 December 2019	
	<i>RMB</i>	<i>Proportion</i>	<i>RMB</i>	<i>Proportion</i>
Zhongru Investment Co., Ltd.	1,202,500	68%	1,202,500	68%
H Shares on the Main Board of Hong Kong Qianbao Investment Co., Ltd.	461,384	26%	461,384	26%
	97,500	6%	97,500	6%
	1,761,384	100%	1,761,384	100%



VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**20. Retained earnings**

	Six months ended 30 June 2020 (Unaudited)	2019
Retained earnings at the end of last year	1,760,756	1,625,641
Business combinations under common control	-	76,388
Effects of the initial adoption of the new lease standard	-	(838)
Opening balance for the period/year	1,760,756	1,701,191
Net profit attributable to owners of the parent	249,129	770,415
Less: Appropriation to statutory surplus reserve	-	122,435
Cash dividends paid (<i>Note</i>)	246,594	588,415
Retained earnings at the end of the period/year	1,763,291	1,760,756

Note: Pursuant to the resolution at the AGM on 23 June 2020, the Group declared a cash dividend of RMB0.14 (tax included) for each share, which amounted to RMB246,593,690 (tax included) based on the total share capital of the Company as at 31 December 2019. On 10 August 2020, such cash dividend was fully paid.



NOTES TO FINANCIAL STATEMENTS

Six months ended 30 June 2020
RMB'000

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

21. Operating revenue

The operating revenue is as follows:

	Six months ended 30 June 2020 (Unaudited)	Six months ended 30 June 2019 (Unaudited)
Revenue from major business	14,124,866	19,908,086
Revenue from other business	246,690	389,068
	14,371,556	20,297,154

The operating revenue is as follows:

	Six months ended 30 June 2020 (Unaudited)	Six months ended 30 June 2019 (Unaudited)
Revenue from contracts with customers	14,355,917	20,288,364
Rental income	15,639	8,790
	14,371,556	20,297,154



VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**21. Operating revenue** (Continued)

The operating revenue generated by contracts with customers is set out as follows:

Six months ended 30 June 2020 (Unaudited)

Reporting segment	Construction	Others	Total
Major operating regions			
China (excluding Hong Kong, Macau and Taiwan)	13,603,029	659,879	14,262,908
Other countries and regions	93,009	-	93,009
	13,696,038	659,879	14,355,917
Major products			
Building construction	9,451,018	-	9,451,018
Infrastructure construction	2,501,451	594,896	3,096,347
Specialized and other construction	1,577,501	-	1,577,501
Sales of goods and others	166,068	64,983	231,051
	13,696,038	659,879	14,355,917
Timing of revenue recognition			
At a point of time			
Sales of goods and others	166,068	53,186	219,254
Within a period of time			
Building construction	9,451,018	-	9,451,018
Infrastructure construction	2,501,451	594,896	3,096,347
Specialized and other construction	1,577,501	-	1,577,501
Sewage treatment service	-	11,797	11,797
	13,696,038	659,879	14,355,917



NOTES TO FINANCIAL STATEMENTS

Six months ended 30 June 2020
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VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

21. Operating revenue (Continued)

Six months ended 30 June 2019 (Unaudited)

Reporting segment	Construction	Others	Total
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	566,309	4,210,957
Specialized and other construction	1,542,498	30,365	1,572,863
Sales of commercial housing	-	149,194	149,194
Sales of goods and others	164,855	66,229	231,084
	<u>19,476,267</u>	<u>812,097</u>	<u>20,288,364</u>
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	566,309	4,210,957
Specialized and other construction	1,542,498	30,365	1,572,863
	<u>19,476,267</u>	<u>812,097</u>	<u>20,288,364</u>



VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**21. Operating revenue** (Continued)

The revenue recognized in this period included in the carrying amounts of the contract liabilities at the beginning of the period:

	Six months ended 30 June 2020 (Unaudited)	Six months ended 30 June 2019 (Unaudited)
Building construction	1,335,121	1,549,996
Infrastructure construction	747,844	1,014,515
Specialized and other construction	447,095	225,085
Sales of commercial housing	-	103,975
	<u>2,530,060</u>	<u>2,893,571</u>

The information related to performance obligations of the Group is as follows:

Construction services

The performance obligation is fulfilled within the time when the service is provided, and the contract price is usually settled within 90 days after the project payment is invoiced. Generally, the customer retains a certain percentage as the warranty money. The warranty money is usually settled after the warranty period expires, because according to the contract, the Group's right to receive the final payment depends on the customer's satisfaction with the service quality over a period of time.

Sale of goods

The performance obligation is fulfilled when the goods is delivered to the customer. For old customers, the contract price is usually settled within 90 days of delivery; for new customers, advance payment is usually required.



NOTES TO FINANCIAL STATEMENTS

Six months ended 30 June 2020
RMB'000

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

21. Operating revenue (Continued)

Real estate sales

For the real estate sales, after the real estate is completed and accepted, meeting the delivery conditions stipulated in the sales contract, when the customer obtains actual control or legal ownership of the relevant goods, the performance obligation is fulfilled.

Sewage and reclaimed water treatment fees

The operating revenue is recognized upon provision of relevant services. The contract price is usually settled within 90 days of delivery.

22. Finance expenses

	Six months ended 30 June 2020 (Unaudited)	Six months ended 30 June 2019 (Unaudited)
Interest expenses	229,670	191,562
Including: Interest expenses of lease liabilities	4,195	864
Less: capitalized interest expenses	-	68,174
Less: Interest income	26,198	81,472
Exchange losses	(3,415)	4,520
	200,057	46,436

No borrowing cost was capitalized during the period (Six months ended 30 June 2019: RMB68,174,000, in which RMB4,046,000 was included in construction in progress and RMB64,128,000 was included in inventories).



VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**22. Finance expenses** (Continued)

In particular, breakdown of interest income is as follows:

	Six months ended 30 June 2020 (Unaudited)	Six months ended 30 June 2019 (Unaudited)
Deposits interest income	20,320	9,731
Realized financial income	5,878	8,024
Capital placement interest income	-	63,717
	26,198	81,472

23. Investment income

	Six months ended 30 June 2020 (Unaudited)	Six months ended 30 June 2019 (Unaudited)
Dividend income of other equity instrument investments held	25,000	18,536
Gains on long-term equity investments accounted under equity method	1,096	10,054
Others	1,093	-
	27,189	28,590



NOTES TO FINANCIAL STATEMENTS

Six months ended 30 June 2020
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VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

24. Credit impairment losses

	Six months ended 30 June 2020 (Unaudited)	Six months ended 30 June 2019 (Unaudited)
Bad debt losses on accounts receivable	19,394	61,090
Reversal of bad debts on other receivables	(2,161)	(20,434)
Impairment loss for contract assets	30,959	23,593
	48,192	64,249

25. Income tax expenses

	Six months ended 30 June 2020 (Unaudited)	Six months ended 30 June 2019 (Unaudited)
Current income tax expenses	80,966	190,900
Deferred income tax income	(10,988)	(22,693)
	69,978	168,207



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:

	Six months ended 30 June 2020 (Unaudited)	Six months ended 30 June 2019 (Unaudited)
Total profit	316,645	736,346
Income tax expenses at the statutory tax rate (Note)	79,161	184,087
Share of profits or losses of joint ventures and associates	(274)	(2,513)
Income not subject to tax	(6,250)	(4,634)
Non-deductible expenses	655	2,253
Unrecognized deductible temporary differences and deductible losses	6,190	3,340
Adjustment of difference in approved profit rate of subsidiaries	-	(8,021)
Bonus deduction allowance of research and development expenses	(8,965)	(6,305)
Deductible losses utilized from previous years	(539)	-
Income tax expense at the Group's effective rate	69,978	168,207

Note: Provision for income tax of the Group has been made at 25% on the estimated taxable profit generated in the PRC.



NOTES TO FINANCIAL STATEMENTS

Six months ended 30 June 2020
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VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

26. Earnings per share

	Six months ended 30 June 2020 RMB per share (Unaudited)	Six months ended 30 June 2019 RMB per share (Unaudited)
Basic earnings per share		
Continuing operations	0.14	0.30
Discontinued operations	-	0.01
	0.14	0.31

Basic earnings per share are calculated by dividing the net profit for the period 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).



VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**26. Earnings per share** (Continued)

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

	Six months ended 30 June 2020 (Unaudited)	Six months ended 30 June 2019 (Unaudited)
Earnings		
Net profit for the period attributable to ordinary shareholders of the Company		
Continuing operations	249,129	527,723
Discontinued operations	-	25,499
	249,129	553,222
Shares		
Weighted average number of ordinary shares in issue of the Company	1,761,383,500	1,761,383,500

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



NOTES TO FINANCIAL STATEMENTS

Six months ended 30 June 2020
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VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

27. Cash flow from operating activities

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

	Six months ended 30 June 2020 (Unaudited)	Six months ended 30 June 2019 (Unaudited)
Net profit	246,667	568,139
Add: Credit impairment loss	48,192	64,249
(Gains)/losses of changes in fair value	(1,850)	7,994
Depreciation of right-of-use assets	2,545	2,138
Depreciation of fixed assets	23,035	23,669
Amortisation of intangible assets	3,035	2,316
Decrease in short-term financial guarantee contracts	(856)	(292)
Gains on the disposal of fixed assets, intangible assets and other long-term assets	(119)	-
Finance expenses	200,057	54,460
Investment gains	(27,189)	(28,590)
Increase in deferred income tax assets	(10,313)	(22,694)
Increase in inventories	(97,770)	(221,060)
Increase in operating receivables	(845,081)	(4,263,218)
(Decrease)/increase in operating payables	(670,567)	2,121,853
Net cash flows used in operating activities	(1,130,214)	(1,691,036)



VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**28. Cash and cash equivalents**

	30 June 2020 (Unaudited)	31 December 2019
Cash	5,465,114	7,045,270
Including: Cash on hand	14,451	19,265
Bank deposits on demand	4,325,756	5,798,504
Other currency funds on demand	787,522	857,657
Less: Restricted cash and cash equivalents of the Company or subsidiaries of the Group	337,385	369,844
Closing balance of cash and cash equivalents	5,127,729	6,675,426

Cash and cash equivalents

	Six months ended 30 June 2020 (Unaudited)	2019
Closing balance of cash for the period/year	5,127,729	6,675,426
Less: Opening balance of cash for the period/year	6,675,426	6,011,066
Net (decrease)/increase in cash and cash equivalents	(1,547,697)	664,360



NOTES TO FINANCIAL STATEMENTS

Six months ended 30 June 2020
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VII. SEGMENT REPORT

1. Operating segments

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

- (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 business units 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 fair prices used for sales made to third parties.



VII. SEGMENT REPORT (Continued)**1. Operating segments** (Continued)**Six months ended 30 June 2020 (Unaudited)**

	Construction contracting	Others	Adjustment and offset	Total
Sales to external customers	13,696,038	675,518	-	14,371,556
Intersegment sales	181,324	10,126	(191,450)	-
Gains on investments in joint ventures and associates	1,181	(85)	-	1,096
Credit impairment losses	11,583	(59,775)	-	(48,192)
Depreciation and amortization	17,844	10,771	-	28,615
Total profit	307,304	(10,173)	19,514	316,645
Total assets	58,930,714	4,777,798	(2,961,439)	60,747,073
Total liabilities	52,685,743	3,918,070	(1,738,645)	54,865,168
Other disclosures				
Long-term equity investments in associates and joint ventures	529,753	1,358	-	531,111
Increase in non-current assets other than long-term equity investments	430,899	72,466	-	503,365



NOTES TO FINANCIAL STATEMENTS

Six months ended 30 June 2020
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VII. SEGMENT REPORT (Continued)

1. Operating segments (Continued)

Six months ended 30 June 2019 (Unaudited)

	Construction contracting	Others	Adjustment and offset	Total
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

2. Other information

Geographical information

Revenue from external transactions

As the majority 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 located in Mainland China. Non-current assets are analysed by geographic locations where the assets are located, excluding financial assets and deferred tax assets.



VII. SEGMENT REPORT (Continued)**2. Other information** (Continued)**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 2020 (Unaudited)**Financial assets**

	Financial assets at fair value through profit or loss Required by the standards	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income Designated	Total
Currency funds	-	5,465,114	-	5,465,114
Held-for-trading financial assets	584	-	-	584
Accounts receivable	-	6,008,900	-	6,008,900
Accounts receivable financing	-	-	1,089,983	1,089,983
Other receivables	-	2,417,681	-	2,417,681
Long-term receivables	-	93,819	-	93,819
Other equity instrument investments	-	-	734,007	734,007
	584	13,985,514	1,823,990	15,810,088



NOTES TO FINANCIAL STATEMENTS

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VIII. FINANCIAL INSTRUMENTS AND THEIR RISKS (Continued)

1. Classification of financial instruments (Continued)

Financial liabilities

	Financial liabilities at amortized cost
Short-term borrowings	2,236,017
Bills payable	446,768
Accounts payable	34,878,714
Other payables	5,538,009
Non-current liabilities due within one year	1,504,063
Other current liabilities	14,886
Long-term borrowings	1,578,998
Lease liabilities	15,280
	46,212,735



VIII. FINANCIAL INSTRUMENTS AND THEIR RISKS (Continued)**1. Classification of financial instruments** (Continued)

31 December 2019

Financial assets

	Financial assets at fair value through profit or loss Required by the standards	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income Designated	Total
Currency funds	-	7,045,270	-	7,045,270
Held-for-trading financial assets	4,931	-	-	4,931
Accounts receivable	-	5,748,686	-	5,748,686
Accounts receivable financing	-	-	1,257,760	1,257,760
Other receivables	-	2,468,999	-	2,468,999
Long-term receivables	-	93,840	-	93,840
Other equity instrument investments	-	-	779,054	779,054
	<u>4,931</u>	<u>15,356,795</u>	<u>2,036,814</u>	<u>17,398,540</u>



NOTES TO FINANCIAL STATEMENTS

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VIII. FINANCIAL INSTRUMENTS AND THEIR RISKS (Continued)

1. Classification of financial instruments (Continued)

Financial liabilities

	Financial liabilities at amortized cost
Short-term borrowings	2,250,713
Bills payable	380,677
Accounts payable	35,946,252
Other payables	5,300,272
Non-current liabilities due within one year	922,400
Other current liabilities	15,742
Long-term borrowings	1,864,424
Lease liabilities	29,825
	<u>46,710,305</u>

2. Transfer of financial assets

Financial assets being transferred but not derecognised

As at 30 June 2020, the carrying amount of bank acceptance bills endorsed to suppliers for settlement of accounts payable amounted to RMB189,369,000 (31 December 2019: RMB428,700,000). 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. As at 30 June 2020, the carrying amount for settlement of accounts payable of the Group amounted to RMB189,369,000 (31 December 2019: RMB428,700,000).



VIII. FINANCIAL INSTRUMENTS AND THEIR RISKS (Continued)**2. Transfer of financial assets** (Continued)***Financial assets being transferred but not derecognised*** (Continued)

As part of the daily business, the Group and some financial institutions have reached factoring arrangements for accounts receivable and transferred certain accounts receivable to the financial institutions. Pursuant to such arrangements, if the debtor of the accounts receivable delays payment, the Group is required to repay the amount. For the financial assets which the Group retains almost all of their risks and rewards of ownership, such financial assets will not be derecognized. After the transfer, the Group no longer reserves the right to use it, including the right to sell, transfer or pledge it to other third parties. As of 30 June 2020, the original carrying amount of accounts receivable transferred under such arrangements but not yet settled was RMB467,797,000 (31 December 2019: RMB301,956,000). As of 30 June 2020, the carrying amount of the assets under the continuing involvement of the Group was RMB467,797,000 (31 December 2019: RMB301,956,000) and the related liabilities amounted to RMB467,797,000 (31 December 2019: RMB301,956,000), which was included in accounts receivable and short-term liabilities, respectively.

Transferred financial assets that are derecognized with continuing involvement

As at 30 June 2020, the carrying amount of bank acceptance bills endorsed to suppliers for settlement of accounts payable amounted to RMB493,325,000 (31 December 2019: RMB814,360,000). As at 30 June 2020, 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 accounts payable settled by the bills were derecognised. The maximum loss and undiscounted cash flow of the Continuing Involvement and repurchase approximate their carrying amounts. 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 2020, 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.



NOTES TO FINANCIAL STATEMENTS

Six months ended 30 June 2020
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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.

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:

- (1) 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;
- (2) 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;



VIII. FINANCIAL INSTRUMENTS AND THEIR RISKS (Continued)**3. Financial instruments risks** (Continued)**Credit risk** (Continued)

- (3) 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.

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

The impact of these economic indicators on the probability of default and the loss given default varies to different businesses.

As at 30 June 2020, no impairment provision was provided for impairment losses for the amount which was overdue over 30 days based on 12-month expected credit loss (31 December 2019: Nil).

As at 30 June 2020, external financial guarantees of RMB127,500,000 (31 December 2019: RMB127,500,000) were provided by the Group. Details of financial guarantee contracts are set out in Note X-4 (3). The Group assessed overdue status of relevant borrowings, financial position of relevant debtors, and economic condition in the debtor's industry as at each balance sheet date, and was 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 2020, 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.

For information on exposure at default of accounts receivable, other receivables and contract assets, please refer to Notes VI-2, 5 and 6. The Group is also exposed to credit risk for providing financial guarantees, details of which are disclosed in Note XI.





NOTES TO FINANCIAL STATEMENTS

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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 analysis of the financial liabilities based on the contractual undiscounted cash flow, is as follows:

30 June 2020 (Unaudited)

	Within 1 year	1 to 5 years	Over 5 years	Total
Short-term borrowings	2,305,525	-	-	2,305,525
Bills payable	446,768	-	-	446,768
Accounts payable	34,878,714	-	-	34,878,714
Other payables	5,538,009	-	-	5,538,009
Non-current liabilities due within one year	1,669,884	-	-	1,669,884
Long-term borrowings	-	833,569	1,366,289	2,199,858
Lease liabilities	-	16,498	-	16,498
Financial guarantee contract	11,844	100,345	44,528	156,717
	44,850,744	950,412	1,410,817	47,211,973



VIII. FINANCIAL INSTRUMENTS AND THEIR RISKS (Continued)**3. Financial instruments risks** (Continued)**Liquidity risk** (Continued)

31 December 2019

	Within 1 year	1 to 5 years	Over 5 years	Total
Short-term borrowings	2,309,510	-	-	2,309,510
Bills payable	380,677	-	-	380,677
Accounts payable	35,946,252	-	-	35,946,252
Other payables	5,300,272	-	-	5,300,272
Non-current liabilities due				
within one year	1,101,280	-	-	1,101,280
Long-term borrowings	-	1,546,499	710,375	2,256,874
Lease liabilities	-	34,272	-	34,272
Financial guarantee contract	6,844	92,221	61,073	160,138
	<u>45,044,835</u>	<u>1,672,992</u>	<u>771,448</u>	<u>47,489,275</u>

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 2020, 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 decrease/increase by RMB14,692,000 (30 June 2019: RMB24,665,000) due to the changes in interest expenses of borrowings with floating interest rates.



NOTES TO FINANCIAL STATEMENTS

Six months ended 30 June 2020
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VIII. FINANCIAL INSTRUMENTS AND THEIR RISKS (Continued)

3. Financial instruments risks (Continued)

Market risk (Continued)

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 2020, under the assumption that other variables were held constant, if the fair value of the corresponding equity instrument investment increase/decrease by 1%, the other comprehensive income (net of tax) of the Group will increase/decrease by RMB730,844 (30 June 2019: RMB1,144,270) due to the change in the fair value of other equity instrument investments.

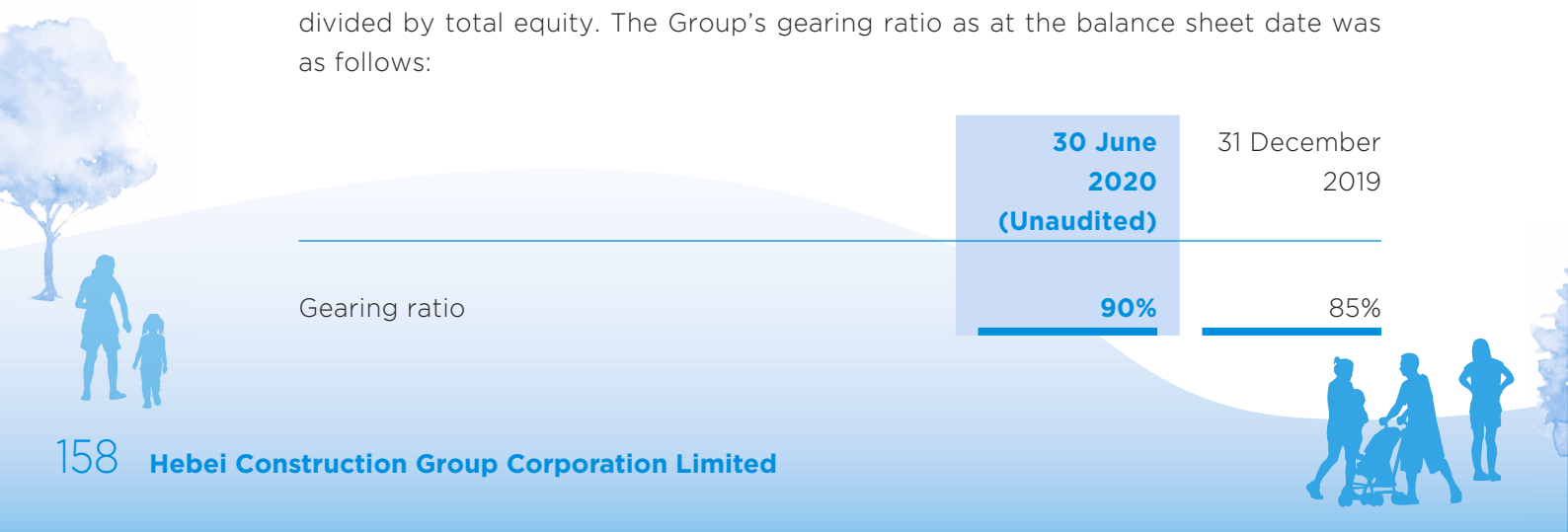
4. Capital management

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 to reduce liabilities. No changes were made in the objectives, policies or processes for capital management from January to June 2020 and for the year of 2019.

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 2020 (Unaudited)	31 December 2019
Gearing ratio	90%	85%



IX. FAIR VALUE**1. Fair value of financial instruments**

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.

The followings are the carrying amount and fair value of financial instruments except for lease liabilities and the financial instruments that the difference between the carrying amount and fair value is immaterial:

	Carrying amount		Fair value	
	30 June 2020 (Unaudited)	31 December 2019	30 June 2020 (Unaudited)	31 December 2019
Long-term borrowings	521,684	935,464	513,043	927,407

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.



NOTES TO FINANCIAL STATEMENTS

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IX. FAIR VALUE (Continued)

1. Fair value of financial instruments (Continued)

The fair value of long-term borrowings is 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 2020 and 31 December 2019, the Group's exposure to non-performance risk associated with the long-term borrowings is assessed as insignificant.

The fair values of listed equity instrument investments are determined by the market value. The fair values of non-listed equity investments have been estimated using a market-based valuation technique based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to determine comparable public companies (peers) based on industry, size, leverage and strategy, and calculates an appropriate price multiple, such as price to earnings ("P/E") multiple and price to net assets ("P/B") multiple, for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by earnings and net assets measures. The trading multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding earnings and net assets measure of the unlisted equity investments to measure the fair value. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the reporting period.

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 RMB6,520,000; with the use of more favorable assumption, the fair value increased by approximately RMB7,050,000.



IX. FAIR VALUE (Continued)**2. Fair value of investment properties using fair value model**

	Valuation technique	Significant unobservable inputs	Range or weighted average	
			30 June 2020 (Unaudited)	31 December 2019
RT-Mart	Yield approach	Yield rate Annual market rental (<i>per square meter</i>)	8.2% 146-174	8.7% 123-150

3. Fair value hierarchy

Assets measured at fair value:

30 June 2020 (Unaudited)

	Inputs used in fair value measurement			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Ongoing fair value measurement				
Held-for-trading financial assets	584	-	-	584
Accounts receivable financing	-	1,089,983	-	1,089,983
Other equity instrument investments	89,007	-	645,000	734,007
Investment properties	-	-	136,600	136,600
	89,591	1,089,983	781,600	1,961,174



NOTES TO FINANCIAL STATEMENTS

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IX. FAIR VALUE (Continued)

3. Fair value hierarchy (Continued)

Assets measured at fair value: (Continued)

31 December 2019

	Inputs used in fair value measurement			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Ongoing fair value measurement				
Held-for-trading financial assets	4,931	-	-	4,931
Accounts receivable financing	-	1,257,760	-	1,257,760
Other equity instrument investments	107,054	-	672,000	779,054
Investment properties	-	-	134,750	134,750
	<u>111,985</u>	<u>1,257,760</u>	<u>806,750</u>	<u>2,176,495</u>



IX. FAIR VALUE (Continued)**3. Fair value hierarchy** (Continued)

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

	Fair value at the end of the period/year	Valuation technique	Unobservable inputs	Scope (Weighted average)
Non-listed equity investments				
Baoding Commercial Bank Co., Ltd.	30 June 2020: 553,000	Listed companies comparison method	P/B multiple	30 June 2020: 0.8-1.01
	31 December 2019: 549,000		Median of peers	31 December 2019: 0.9-1.1
			Discount for liquidity	30 June 2020: 30% 31 December 2019: 30%
Baoding Taihang Heyi Environmental Technology Co., Ltd.	30 June 2020: 79,000	Listed companies comparison method	P/E multiple	30 June 2020: 7.5-9
	31 December 2019: 113,000		Median of peers	31 December 2019: 5.3-11.3
			Discount for liquidity	30 June 2020: 30% 31 December 2019: 30%
Qinhuangdao Smooth Road Construction Co., Ltd.	30 June 2020: 13,000	Listed companies comparison method	P/B multiple	30 June 2020: 1.2-1.6
	31 December 2019: 10,000		Median of peers	31 December 2019: 0.8-2.0
			Discount for liquidity	30 June 2020: 30% 31 December 2019: 30%
Leased properties				
RT-Mart	30 June 2020: 136,600	Discounted cash flows method	Yield rate	30 June 2020: 8.2% 31 December 2019: 8.7%
	31 December 2019: 134,750		Annual market rental (per square metre)	30 June 2020: 146-174 31 December 2019: 123-150

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.



NOTES TO FINANCIAL STATEMENTS

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IX. FAIR VALUE (Continued)

3. Fair value hierarchy (Continued)

Liabilities disclosed at fair value

30 June 2020 (Unaudited)

	Inputs used in fair value measurement			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Long-term borrowings	-	513,043	-	513,043

31 December 2019

	Inputs used in fair value measurement			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Long-term borrowings	-	927,407	-	927,407



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) Joint ventures of the Group;
- (7) Associates of the Group;
- (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;
- (11) Joint ventures of associates of other members (including parent company and subsidiaries) within the same group as the Company.





NOTES TO FINANCIAL STATEMENTS

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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 in the Company	Proportion of votes in the Company	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 Qianbao Investment Co., Ltd.

Details of the Company's subsidiaries are set out in Note V-1.

3. Other related parties

Related party relationships	
Qianbao Investment Co., Ltd.	Parent company
Yizongliangheng	Associate
Bozhou Xiangju Construction Engineering Co., Ltd.	Associate
Qinhuangdao Yuanyi Road Construction Management Co., Ltd.	Joint venture
Zhongming Zhiye	Other enterprises under common control by the parent company
Baoding Tianli Labor Service Co., Ltd.	Other enterprises under common control by the parent company
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



X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(Continued)

3. Other related parties (Continued)

	Related party relationships
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
Xi'an Zhongyuan Real Estate Development Co., Ltd.	Other enterprises under common control by the parent company
Baoding Taiji Real Estate Development Co., Ltd.	Other enterprises under common control by the parent company
Huailai Jingsheng Real Estate Development Co., Ltd.	Other enterprises under common control by the parent company
Hebei Guangsha Property Management Co., Ltd.	Other enterprises under common control by the parent company
Laiyuan Zhongcheng Construction Development Co., Ltd.	Other enterprises under common control by the parent company
Luanping Zhongcheng Real Estate Development Co., Ltd.	Other enterprises under common control by the parent company
Huailai Zhongcheng Real Estate Development Co., Ltd.	Other enterprises under common control by the parent company
Hebei Construction Group Qianqiu Management Co., Ltd.	Other enterprises under common control by the parent company
Hebei Qianyuan Agricultural Technology Development Co., Ltd.	Other enterprises under common control by the parent company
Zhongyuan Environmental	Associate of other enterprises under common control by the parent company
Guangan Zhongcheng Real Estate Development Co., Ltd.	Associate of other enterprises under common control by the parent company
Hebei Zitan Real Estate Development Co., Ltd.	Associate of other enterprises under common control by the parent company
Baoding Zhucheng	Associate of other enterprises under common control by the parent company



NOTES TO FINANCIAL STATEMENTS

Six months ended 30 June 2020
RMB'000

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(Continued)

3. Other related parties (Continued)

	Related party relationships
Chengdu New Era Tiancheng Properties Co., Ltd.	Associate of other enterprises under common control by the parent company
Datang Baoding Heat Supply Co., Ltd.	Associate of other enterprises under common control by the parent company
Hebei Baocang Expressway Co., Ltd.	Associate of other enterprises under common control by the parent company
Hebei Baoyu Surveying Service Co., Ltd.	Subsidiary of other enterprises under common control by the parent company
Fuping County Ruifu Building Material 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 Jinshibang Real Estate Development Co., Ltd.	Other enterprises under common control by the parent company
Huailai Shengcheng Real Estate Development Co., Ltd.	Other enterprises under common control by the parent company



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 2020 (Unaudited)	Six months ended 30 June 2019 (Unaudited)
Qinhuangdao Yuanyi Road Construction Management Co., Ltd.	(1)a	126,388	103,218
Zhongyuan Environmental	(1)b	34,461	38,646
Huailai Jingsheng Real Estate Development Co., Ltd.	(1)c	33,014	-
Hebei Zitan Real Estate Development Co., Ltd.	(1)d	32,029	-
Xi'an Zhongyuan Real Estate Development Co., Ltd.	(1)e	25,270	-
Baoding Zhucheng	(1)f	12,354	-
Datang Baoding Heat Supply Co., Ltd.	(1)g	9,967	4,275
Sanhe Jinshibang Real Estate Development Co., Ltd.	(1)h	7,314	-
Zhongcheng Real Estate Development Co., Ltd.	(1)i	6,669	-
Laiyuan Zhongcheng Construction Development Co., Ltd.	(1)j	4,203	-
Hebei Qianyuan Agricultural Technology Development Co., Ltd.	(1)k	2,943	-
Chengde Summer Resort Cultural Industrial Park Co., Ltd.	(1)l	2,522	7,864
Huailai Zhongcheng Real Estate Development Co., Ltd.	(1)m	981	-
Hebei Baocang Expressway Co., Ltd.	(1)n	924	369
Baoding Taiji Real Estate Development Co., Ltd.	(1)o	139	-
Guangan Zhongcheng Real Estate Development Co., Ltd.	(1)p	56	-



NOTES TO FINANCIAL STATEMENTS

Six months ended 30 June 2020
RMB'000

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)

Rendering of services to related parties (Continued)

	Notes	Six months ended 30 June 2020 (Unaudited)	Six months ended 30 June 2019 (Unaudited)
Bozhou Xiangju Construction Company Limited	(1)q	-	65,869
Yizongliangheng	(1)r	-	4,901
Sanhe Baolan Heat Co., Ltd.	(1)s	-	336
		299,234	225,478

Receipt of services from related parties

	Notes	Six months ended 30 June 2020 (Unaudited)	Six months ended 30 June 2019 (Unaudited)
Baoding Tianli Labor Service Co., Ltd.	(1)t	1,037,800	1,977,003
Hebei Tianbo Construction Technology Co., Ltd.	(1)u	698	2,024
		1,038,498	1,979,027



X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(Continued)

4. Major transactions with related parties (Continued)**(2) Related party leases***As lessee*

	<i>Note</i>	Type of leased asset	Six months ended 30 June 2020 Leasing fees (Unaudited)	Six months ended 30 June 2019 Leasing fees (Unaudited)
Zhongming Zhiye	(2)a	Office building	1,410	3,508

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.

(3) Guarantees to/from related parties*Providing guarantees to related parties***Six months ended 30 June 2020 (Unaudited)**

Guaranteed party	<i>Note</i>	Amount of guarantees	Inception date of guarantee	Expiration date of guarantee	Whether guarantee has been performed	The actual guaranteed amount
Qinhuangdao Yuanyi Road Construction Management Co., Ltd.	(3)a	600,000	2019/8/29	2036/12/20	No	127,500



NOTES TO FINANCIAL STATEMENTS

Six months ended 30 June 2020
RMB'000

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(Continued)

4. Major transactions with related parties (Continued)

(3) Guarantees to/from related parties (Continued)

Receiving guarantees from related parties

Six months ended 30 June 2020 (Unaudited)

Guarantor	Notes	Amount of guarantees	Inception date of guarantee	Expiration date of guarantee	Whether guarantee has been performed	The actual guaranteed amount
Zhongming Zhiye	(3)b	108,000	2018/10/26	2022/10/25	No	107,000
Chengdu New Era Tiancheng Properties Co., Ltd.	(3)c	399,847	2019/3/26	2021/4/1	No	279,847
Chengde Summer Resort Cultural Industrial Park Co., Ltd.	(3)c	399,847	2019/3/26	2021/4/1	No	279,847
Baoding Taiji Real Estate Development Co., Ltd.	(3)c	399,847	2019/3/26	2021/4/1	No	279,847
Zhongcheng Real Estate Development Co., Ltd.	(3)c	399,847	2019/3/26	2021/4/1	No	279,847
Zhongcheng Real Estate Development Co., Ltd.	(3)c	399,847	2019/5/8	2021/4/1	No	279,847
Zhongming Zhiye	(3)c	399,847	2019/4/1	2024/4/1	No	279,847
Zhongcheng Real Estate Development Co., Ltd.	(3)d	400,000	2018/7/19	2020/7/18	No	180,000
Huailai Jingsheng Real Estate Development Co., Ltd	(3)d	400,000	2018/7/19	2020/7/18	No	180,000
Zhongcheng Real Estate Development Co., Ltd.	(3)d	400,000	2019/5/8	2020/7/18	No	180,000
Zhongming Zhiye	(3)d	400,000	2019/5/8	2023/7/18	No	180,000
Zhongming Zhiye	(3)e	100,000	2019/11/25	2020/11/24	No	99,000
Zhongming Zhiye	(3)f	150,000	2019/11/25	2020/11/24	No	25,000
Zhongming Zhiye	(3)g	200,000	2019/12/30	2023/12/29	No	200,000
Zhongcheng Real Estate Development Co., Ltd.	(3)h	150,000	2020/6/15	2022/6/8	No	150,000



X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(Continued)

4. Major transactions with related parties (Continued)**(3) Guarantees to/from related parties** (Continued)*Providing guarantees to related parties*

2019

Guaranteed party	Note	Amount of guarantees	Inception date of guarantee	Expiration date of guarantee	Whether guarantee has been performed	The actual guaranteed amount
Qinhuangdao Yuanyi Road Construction Management Co., Ltd.	(3)a	600,000	2019/8/29	2036/12/20	No	127,500



NOTES TO FINANCIAL STATEMENTS

Six months ended 30 June 2020
RMB'000

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(Continued)

4. Major transactions with related parties (Continued)

(3) Guarantees to/from related parties (Continued)

Receiving guarantees from related parties

2019

Guarantor	Notes	Amount of guarantees	Inception date of guarantee	Expiration date of guarantee	Whether guarantee has been performed	The actual guaranteed amount
Zhongming Zhiye	(3)b	108,000	2018/10/26	2022/10/25	No	108,000
Chengdu New Era Tiancheng Properties Co., Ltd.	(3)c	399,847	2019/3/26	2021/4/1	No	394,847
Chengde Summer Resort Cultural Industrial Park Co., Ltd.	(3)c	399,847	2019/3/26	2021/4/1	No	394,847
Baoding Taiji Real Estate Development Co., Ltd.	(3)c	399,847	2019/3/26	2021/4/1	No	394,847
Xi'an Zhongyuan Real Estate Development Co., Ltd.	(3)c	399,847	2019/3/26	2019/8/1	Yes	-
Zhongcheng Real Estate Development Co., Ltd.	(3)c	399,847	2019/3/26	2021/4/1	No	394,847
Zhongcheng Real Estate Development Co., Ltd.	(3)c	399,847	2019/5/8	2021/4/1	No	394,847
Zhongming Zhiye	(3)c	399,847	2019/4/1	2024/4/1	No	394,847
Zhongcheng Real Estate Development Co., Ltd.	(3)d	400,000	2018/7/19	2020/7/18	No	280,000
Huailai Jingsheng Real Estate Development Co., Ltd.	(3)d	400,000	2018/7/19	2020/7/18	No	280,000
Zhongcheng Real Estate Development Co., Ltd.	(3)d	400,000	2019/5/8	2020/7/18	No	280,000
Zhongming Zhiye	(3)d	400,000	2019/5/8	2023/7/18	No	280,000
Zhongming Zhiye	(3)e	100,000	2019/11/25	2020/11/24	No	100,000
Zhongming Zhiye	(3)f	150,000	2019/11/25	2020/11/24	No	25,000
Zhongming Zhiye	(3)g	200,000	2019/12/30	2023/12/29	No	200,000



X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(Continued)

4. Major transactions with related parties (Continued)**(4) Other related party transactions**

	Note	Six months ended 30 June 2020 (Unaudited)	Six months ended 30 June 2019 (Unaudited)
Emolument of key management personnel	(4)a	3,997	4,046
		3,997	4,046

Notes:

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

- (a) During the six months ended 30 June 2020, the Group provided construction services to Qinhuangdao Yuanyi Road Construction Management Co., Ltd. at the market price of RMB126,388,000 (six months ended 30 June 2019: RMB103,218,000).
- (b) During the six months ended 30 June 2020, the Group provided construction services to Zhongyuan Environmental at the market price of RMB34,461,000 (six months ended 30 June 2019: RMB38,646,000).
- (c) During the six months ended 30 June 2020, the Group provided construction services to Huailai Jingsheng Real Estate Development Co., Ltd. at the market price of RMB33,014,000 (six months ended 30 June 2019: Nil).
- (d) During the six months ended 30 June 2020, the Group provided construction services to Hebei Zitan Real Estate Development Co., Ltd. at the market price of RMB32,029,000 (six months ended 30 June 2019: Nil).
- (e) During the six months ended 30 June 2020, the Group provided construction services to Xi'an Zhongyuan Real Estate Development Co., Ltd. at the market price of RMB25,270,000 (six months ended 30 June 2019: Nil).
- (f) During the six months ended 30 June 2020, the Group provided construction services to Baoding Zhucheng Real Estate Development Co., Ltd. at the market price of RMB12,354,000 (six months ended 30 June 2019: Nil).
- (g) During the six months ended 30 June 2020, the Group provided construction services to Datang Baoding Heat Supply Co., Ltd. at the market price of RMB9,967,000 (six months ended 30 June 2019: RMB4,275,000).
- (h) During the six months ended 30 June 2020, the Group provided construction services to Sanhe Jinshibang Real Estate Development Co., Ltd. at the market price of RMB7,314,000 (six months ended 30 June 2019: Nil).



NOTES TO FINANCIAL STATEMENTS

Six months ended 30 June 2020
RMB'000

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(Continued)

4. Major transactions with related parties (Continued)

(4) Other related party transactions (Continued)

Notes: (Continued)

- (1) SALES OR PURCHASES OF GOODS AND RENDERING OR RECEIPT OF SERVICES (Continued)
- (i) During the six months ended 30 June 2020, the Group provided construction services to Zhongcheng Real Estate Development Co., Ltd. at the market price of RMB6,669,000 (six months ended 30 June 2019: Nil).
 - (j) During the six months ended 30 June 2020, the Group provided construction services to Laiyuan Zhongcheng Construction Development Co., Ltd. at the market price of RMB4,203,000 (six months ended 30 June 2019: Nil).
 - (k) During the six months ended 30 June 2020, the Group provided construction services to Hebei Qianyuan Agricultural Technology Development Co., Ltd. at the market price of RMB2,943,000 (six months ended 30 June 2019: Nil).
 - (l) During the six months ended 30 June 2020, the Group provided construction services to Chengde Summer Resort Cultural Industrial Park Co., Ltd. at the market price of RMB2,522,000 (six months ended 30 June 2019: RMB7,864,000).
 - (m) During the six months ended 30 June 2020, the Group provided construction services to Huailai Zhongcheng Real Estate Development Co., Ltd. at the market price of RMB981,000 (six months ended 30 June 2019: Nil).
 - (n) During the six months ended 30 June 2020, the Group provided construction services to Hebei Baocang Expressway Co., Ltd. at the market price of RMB924,000 (six months ended 30 June 2019: RMB369,000).
 - (o) During the six months ended 30 June 2020, the Group received labour services from Baoding Taiji Real Estate Development Co., Ltd. at the market price of RMB139,000 (six months ended 30 June 2019: Nil).
 - (p) During the six months ended 30 June 2020, the Group provided construction services to Guangan Zhongcheng Real Estate Development Co., Ltd. at the market price of RMB56,000 (six months ended 30 June 2019: Nil).
 - (q) During the six months ended 30 June 2020, the Group did not provide construction services to Bozhou Xiangju Construction Company Limited (six months ended 30 June 2019: RMB65,869,000).



X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(Continued)

4. Major transactions with related parties (Continued)**(4) Other related party transactions** (Continued)

Notes: (Continued)

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

- (r) During the six months ended 30 June 2020, the Group did not provide construction services to Yizongliangheng (six months ended 30 June 2019: RMB4,901,000).
- (s) During the six months ended 30 June 2020, the Group did not provide construction services to Sanhe Baolan Heat Co., Ltd. (six months ended 30 June 2019: RMB336,000).
- (t) During the six months ended 30 June 2020, the Group received labour services from Baoding Tianli Labor Service Co., Ltd. at the market price of RMB1,037,800,000 (six months ended 30 June 2019: RMB1,977,003,000).
- (u) During the six months ended 30 June 2020, the Group received labour services from Hebei Tianbo Construction Technology Co., Ltd. at the market price of RMB698,000 (six months ended 30 June 2019: RMB2,024,000).

(2) RELATED PARTY ASSET LEASES

- (a) During the six months ended 30 June 2020, the Group leased an office building from Zhongming Zhiye and incurred leasing fees of RMB1,410,000 under the lease contract.

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

(3) GUARANTEES TO/FROM RELATED PARTIES

- (a) The Group provided guarantee with an amount of RMB600,000,000 for Qinhuangdao Yuanyi Road Construction Management Co., Ltd. at nil consideration from 29 August 2019 to 20 December 2036, and the actual guaranteed amount as of 30 June 2020 was RMB127,500,000 (31 December 2019: amount of guarantee: RMB600,000,000, actual guaranteed amount: RMB127,500,000).
- (b) Zhongming Zhiye provided guarantee with an amount of RMB108,000,000 for the Group at nil consideration from 26 October 2018 to 25 October 2022, and the actual guaranteed amount as of 30 June 2020 was RMB107,000,000 (2019: amount of guarantee: RMB108,000,000, actual guaranteed amount: RMB108,000,000).



NOTES TO FINANCIAL STATEMENTS

Six months ended 30 June 2020
RMB'000

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(Continued)

4. Major transactions with related parties (Continued)

(4) Other related party transactions (Continued)

Notes: (Continued)

(3) GUARANTEES TO/FROM RELATED PARTIES (Continued)

- (c) From 26 March 2019 to 1 April 2021, Chengdu New Era Tiancheng Properties Co., Ltd., Chengde Summer Resort Cultural Industrial Park Co., Ltd., Baoding Taiji Real Estate Development Co., Ltd. and Zhongcheng Real Estate Development Co., Ltd. provided the following items with their respective present value at the valuation date: an inventory of RMB200,620,000 (the collateral value as at 30 June 2020 was RMB66,550,000), the land use right of RMB350,211,000 (the collateral value as at 30 June 2020 was RMB190,110,000), the real estate and inventory of RMB135,385,000 (the collateral value as at 30 June 2020 was RMB135,385,000), the real estate of RMB66,167,000 (the collateral value as at 30 June 2020 was RMB66,167,000) and the construction in progress of RMB161,760,000 (the collateral value as at 30 June 2020 was RMB161,760,000) as collaterals for mortgage guarantee; from 8 May 2019 to 1 April 2021, Zhongcheng Real Estate Development Co., Ltd. provided the 51% equity interests in Huailai Jingsheng Real Estate Development Co., Ltd. as collaterals for pledge guarantee; from 1 April 2019 to 1 April 2024, Zhongming Zhiye provided a credit guarantee. Together, the above companies provided guarantees for the debt of RMB399,847,000 of the Group. The actual guaranteed amount as of 30 June 2020 was RMB279,847,000.
- (d) From 19 July 2018 to 18 July 2020, Zhongcheng Real Estate Development Co., Ltd. and Huailai Jingsheng Real Estate Development Co., Ltd. provided the following items with their respective present value at the valuation date: the construction in progress of RMB335,333,000 and an inventory of RMB343,308,000 as collaterals for mortgage guarantee; from 8 May 2019 to 18 July 2020, Zhongcheng Real Estate Development Co., Ltd. provided the 64% equity interests in Huailai Jingsheng Real Estate Development Co., Ltd. and its derived equity (representing contribution of RMB64,000,000) as collaterals for pledge guarantee; from 8 May 2019 to 18 July 2023, Zhongming Zhiye provided a credit guarantee. Together, the above companies provided guarantees for the debt of RMB400,000,000 of the Group. The actual guaranteed amount as of 30 June 2020 was RMB180,000,000.
- (e) Zhongming Zhiye provided guarantee with an amount of RMB100,000,000 for the Group at nil consideration from 25 November 2019 to 24 November 2020, and the actual guaranteed amount as of 30 June 2020 was RMB99,000,000 (2019: amount of guarantee: RMB100,000,000, actual guaranteed amount: RMB100,000,000).
- (f) Zhongming Zhiye provided guarantee with an amount of RMB150,000,000 for the Group at nil consideration from 25 November 2019 to 24 November 2020, and the actual guaranteed amount as of 30 June 2020 was RMB25,000,000 (2019: amount of guarantee: RMB150,000,000, actual guaranteed amount: RMB25,000,000).



X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(Continued)

4. Major transactions with related parties (Continued)**(4) Other related party transactions** (Continued)

Notes: (Continued)

(3) GUARANTEES TO/FROM RELATED PARTIES (Continued)

- (g) Zhongming Zhiye provided guarantee with an amount of RMB200,000,000 for the Group at nil consideration from 30 December 2019 to 29 December 2023, and the actual guaranteed amount as of 30 June 2020 was RMB200,000,000 (2019: amount of guarantee: RMB200,000,000, actual guaranteed amount: RMB200,000,000).
- (h) Zhongcheng Real Estate Development Co., Ltd. provided guarantee with an amount of RMB150,000,000 for the Group at nil consideration from 15 June 2020 to 8 June 2022, and the actual guaranteed amount as of 30 June 2020 was RMB150,000,000 (2019:Nil).

(4) OTHER MAJOR RELATED TRANSACTIONS

- (a) During the six months ended 30 June 2020, the total emolument of key management personnel incurred by the Group amounted to RMB3,997,000.

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





NOTES TO FINANCIAL STATEMENTS

Six months ended 30 June 2020
RMB'000

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(Continued)

5. Balance of amounts due from related parties

(1) Accounts receivable

	30 June 2020 (Unaudited)		31 December 2019	
	Book balance	Bad debt allowance	Book balance	Bad debt allowance
Baoding Zhucheng	30,598	-	6,299	-
Chengdu New Era Tiancheng Properties Co., Ltd.	9,558	-	2,518	-
Zhongcheng Real Estate Development Co., Ltd.	7,285	-	14,370	2,695
Qinhuangdao Yuanyi Road Construction Management Co., Ltd.	5,718	-	-	-
Datang Baoding Heat Supply Co., Ltd.	622	116	4,217	554
Hebei Baocang Expressway Co., Ltd.	579	-	-	-
Chengde Summer Resort Cultural Industrial Park Co., Ltd.	414	-	-	-
Zhongyuan Environmental	413	-	-	-
Sanhe Baolan Heat Co., Ltd.	350	-	1,913	-
Hebei Qianyuan Agricultural Technology Development Co., Ltd.	250	-	-	-
Huilai Zhongcheng Real Estate Development Co., Ltd.	9	-	-	-
Baoding Taiji Real Estate Development Co., Ltd.	3	-	3	-
Hebei Zitan Real Estate Development Co., Ltd.	-	-	31	-
	55,799	116	29,351	3,249



X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(Continued)

5. Balance of amounts due from related parties (Continued)**(2) Contract assets**

	30 June 2020 (Unaudited)		31 December 2019	
	Book balance	Bad debt allowance	Book balance	Bad debt allowance
Guangan Zhongcheng Real Estate Development Co., Ltd.	142,868	-	143,891	-
Chengde Summer Resort Cultural Industrial Park Co., Ltd.	85,009	-	93,169	-
Zhongcheng Real Estate Development Co., Ltd.	71,973	-	106,012	-
Xi'an Zhongyuan Real Estate Development Co., Ltd.	66,871	-	63,867	-
Huilai Jingsheng Real Estate Development Co., Ltd.	52,314	-	42,809	-
Qinhuangdao Yuanyi Road Construction Management Co., Ltd.	29,682	-	-	-
Bozhou Xiangju Construction Company Limited	13,050	-	47,050	-
Hebei Qianyuan Agricultural Technology Development Co., Ltd.	4,705	-	3,997	-
Laiyuan Zhongcheng Construction Development Co., Ltd.	4,179	-	1,350	-
Sanhe Baolan Heat Co., Ltd.	2,722	-	3,983	-
Zhongyuan Environmental (Neihuang) Liangli Ecological Construction Project Management Company Limited	1,814	-	10,481	-
Hebei Baocang Expressway Co., Ltd.	1,805	-	1,858	-
Datang Baoding Heat Supply Co., Ltd.	1,798	-	3,836	-
Hebei Guangsha Property Management Co., Ltd.	200	-	200	-



NOTES TO FINANCIAL STATEMENTS

Six months ended 30 June 2020
RMB'000

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(Continued)

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

(2) Contract assets (Continued)

	30 June 2020 (Unaudited)		31 December 2019	
	Book balance	Bad debt allowance	Book balance	Bad debt allowance
Hebei Zitan Real Estate Development Co., Ltd.	-	-	291	-
Jianwei County Yizongliangheng Project Management Company Limited	-	-	156,298	-
Baoding Zhucheng Chengdu New Era Tiancheng Properties Co., Ltd.	-	-	122,572	-
Huailai Zhongcheng Real Estate Development Co., Ltd.	-	-	7,039	-
	-	-	9	-
	478,990	-	808,712	-

(3) Prepayments

	30 June 2020 (Unaudited) Book balance	31 December 2019 Book balance
	Baoding Tianli Labor Service Co., Ltd.	110,460
Fuping County Ruifu Building Material Co., Ltd.	4,728	-
Chengde Summer Resort Cultural Industrial Park Co., Ltd.	468	-
Hebei Baoyu Surveying Service Co., Ltd.	117	-
Yizongliangheng	-	79
	115,773	79



X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(Continued)

5. Balance of amounts due from related parties (Continued)**(4) Other receivables**

	30 June 2020 (Unaudited)		31 December 2019	
	Book balance	Bad debt allowance	Book balance	Bad debt allowance
Baoding Tianli Labor Service Co., Ltd.	3,074	-	3,528	-
Baoding Zhucheng Chengde Summer Resort Cultural Industrial Park Co., Ltd.	2,730	-	460	-
Zhongcheng Real Estate Development Co., Ltd.	830	-	24	-
Huilai Jingsheng Real Estate Development Co., Ltd.	50	-	20	-
Huilai Shengcheng Real Estate Development Co., Ltd.	7	-	5	-
	4	-	-	-
	6,695	-	4,037	-



NOTES TO FINANCIAL STATEMENTS

Six months ended 30 June 2020
RMB'000

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(Continued)

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

(5) Accounts payable

	30 June 2020 (Unaudited)	31 December 2019
Baoding Zhucheng	241,101	902,220
Baoding Tianli Labor Service Co., Ltd.	9,131	1,099
Zhongcheng Real Estate Development Co., Ltd.	2,216	569
Hebei Tianbo Construction Technology Co., Ltd.	1,146	137
Hebei Construction Group Qianqiu Management Co., Ltd.	480	122
Xi'an Zhongyuan Real Estate Development Co., Ltd.	-	87
Hebei Baoyu Surveying Service Co., Ltd.	-	17
	254,074	904,251



X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(Continued)

5. Balance of amounts due from related parties (Continued)**(6) Other payables**

	30 June 2020 (Unaudited)	31 December 2019
Hebei Qianyuan Agricultural Technology Development Co., Ltd.	10,000	-
Zhongming Zhiye	4,216	2,806
Huailai Zhongcheng Real Estate Development Co., Ltd.	960	-
Key management personnel	-	26,046
Baoding Taiji Real Estate Development Co., Ltd.	-	4,171
Hebei Construction Group Qianqiu Management Co., Ltd.	-	3,694
Zhongcheng Real Estate Development Co., Ltd.	-	3,233
Hebei Zitan Real Estate Development Co., Ltd.	-	1,647
	15,176	41,597



NOTES TO FINANCIAL STATEMENTS

Six months ended 30 June 2020
RMB'000

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(Continued)

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

(7) Contract liabilities

	30 June 2020 (Unaudited)	31 December 2019
Hebei Zitan Real Estate Development Co., Ltd.	49,968	13,006
Huailai Zhongcheng Real Estate Development Co., Ltd.	32,842	32,842
Zhongcheng Real Estate Development Co., Ltd.	14,095	10,790
Luanping Zhongcheng Real Estate Development Co., Ltd.	10,790	20,884
Baoding Zhucheng Datang Baoding Heat Supply Co., Ltd.	7,337 2,967	16,243 -
Xi'an Zhongyuan Real Estate Development Co., Ltd.	1,645	1,645
Hebei Baocang Expressway Co., Ltd.	678	63
Chengde Summer Resort Cultural Industrial Park Co., Ltd.	500	300
Qianbao Investment Co., Ltd.	334	-
Sanhe Baolan Heat Co., Ltd.	40	40
Hebei Tianbo Construction Technology Co., Ltd.	-	15
Qinhuangdao Yuanyi Road Construction Management Co., Ltd.	-	9,849
	121,196	105,677



XI. CONTINGENCIES

	30 June 2020 (Unaudited)	31 December 2019	<i>Note</i>
Total contingent liabilities arisen from providing external guarantees	156,717	160,138	<i>Note 1</i>

Note 1 :As at 30 June 2020, the principal and interest of the banking facilities granted to third parties subject to guarantees given to the banks by the Group amounted to approximately RMB156,717,000 (31 December 2019: RMB160,138,000), and the guarantee contract liabilities amounted to RMB14,886,000 (31 December 2019: RMB15,742,000).

XII. LEASES

1. As lessor

The Group leases out certain buildings for a term of 20 years which constitutes operating lease. Pursuant to the lease contracts, rents are adjusted annually based on prevailing market rates. For the six months ended 30 June 2020, the Group's income derived from lease of buildings was RMB1,308,000 (six months ended 30 June 2019: RMB1,340,000). Leased buildings are presented as investment properties.

The Group also leases out certain idle machinery equipment for a term within 1 year, which constitutes operating lease. For the six months ended 30 June 2020, the Group's income derived from lease of machinery equipment was RMB14,331,000 (six months ended 30 June 2019: RMB7,450,000).

Operating lease:

Profit or loss related to operating lease is as follows:

	Six months ended 30 June 2020 (Unaudited)	Six months ended 30 June 2019 (Unaudited)
Lease income	15,639	8,790



NOTES TO FINANCIAL STATEMENTS

Six months ended 30 June 2020
RMB'000

XII. LEASES (Continued)

1. As lessor (Continued)

Operating lease: (Continued)

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

	30 June 2020 (Unaudited)	31 December 2019
Within 1 year (including 1 year)	235	3,663
1 to 2 years (including 2 years)	-	4,200
	235	7,863

As at 30 June 2020, the carrying amount of investment properties under operating lease was RMB133,919,000 (31 December 2019: RMB134,750,000).

2. As lessee

	Six months ended 30 June 2020 (Unaudited)	Six months ended 30 June 2019 (Unaudited)
Interest expense on lease liabilities	2,670	864
Short-term lease expense under simplified approach through profit or loss	6,190	10,319
Revenue from subleasing right-of-use assets	6,936	2,412
Total cash outflow in relation to leases	11,534	16,802
	27,330	30,397

Assets leased by the Group include buildings and machinery equipment for operation which generally have a lease term of 1 month to 5 years. Lease contracts usually provide that the Group shall not sublease the leased assets.



XII. LEASES (Continued)**2. As lessee** (Continued)**Other lease information**

For details of right-of-use assets, please refer to Note VI-12; for simplified approach regarding short-term lease and low-value asset leases, please refer to Note III-24; and for details of lease liabilities, please refer to Note VI-18 and Note VIII-1.

XIII. COMMITMENTS

	30 June 2020 (Unaudited)	31 December 2019
Contracted but not provided for		
Commitment to acquisition of office building	-	350,000
Capital commitment	-	83,200
	-	433,200

XIV. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by resolution of the Board of the Company on 24 August 2020.



DEFINITIONS

“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
“AGM”	annual general meeting of the Company
“Articles of Association”	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
“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”	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)
“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
“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
“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” or “we” or “our”	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
“HK\$” or “HK dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange” or “Stock Exchange”	The Stock Exchange of Hong Kong Limited
“IPO”	the initial public offering of the Company, the details of which are stated in the Prospectus
“Latest Practicable Date”	16 September 2020, being the latest practicable date for the purpose of ascertaining certain information contained in this 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





DEFINITIONS

“Reporting Period”	the period of six months commencing on 1 January 2020 and ending on 30 June 2020
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“SAFE”	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
“senior management”	the senior management of the Company
“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
“SSE”	the Shanghai Stock Exchange
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules, unless the context requires otherwise
“substantial Shareholder(s)”	has the meaning ascribed to it under the Listing Rules, unless the context requires otherwise
“Supervisor(s)”	supervisors of the Company
“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

