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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)

**ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2020**

The board of directors (the “**Board**”) of Hebei Construction Group Corporation Limited (the “**Company**”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries for the six months ended 30 June 2020. This announcement complies with the relevant content requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) in relation to preliminary announcements of interim results.

PUBLICATION OF THE INTERIM RESULTS AND REPORT

This interim results announcement is published on the HKEXnews website of The Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**”) (www.hkexnews.hk) and the Company’s website (www.hebjs.com.cn).

The Company’s 2020 interim report containing all information required under the Listing Rules will be dispatched to the shareholders of H shares and published on the HKEXnews website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company’s website in due course.

By order of the Board

Hebei Construction Group Corporation Limited

Li Baozhong

Chairman & Executive Director

Hebei, the PRC
24 August 2020

As at the date of this announcement, the executive Directors are Mr. LI Baozhong, Mr. SHANG Jinfeng, Mr. LIU Yongjian and Mr. ZHAO Wensheng; the non-executive Directors are Mr. LI Baoyuan and Mr. CAO Qingshe; and the independent non-executive Directors are Ms. SHEN Lifeng, Ms. CHEN Xin and Mr. CHAN Ngai Sang Kenny.

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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

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

Note:

- 1 Mr. Xiao Xuwen 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 ceased to take the role as an independent non-executive Director of the Company with effect from 23 June 2020.

REGISTERED OFFICE

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Jingxiu District
Baoding, Hebei Province
PRC

**HEADQUARTERS AND PRINCIPAL
PLACE OF BUSINESS IN THE PRC**

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Jingxiu District
Baoding, Hebei Province
PRC

**PRINCIPAL PLACE OF BUSINESS
IN HONG KONG**

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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
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COMPANY WEBSITE

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Certified Public Accountants
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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 announcement 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 date of this announcement. 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.

BUSINESS OVERVIEW

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%

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.

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

No.	Name of project	Business segment	Region
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 (固安來康郡康樂旅游綜合體工程)	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

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.
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.

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.

Notwithstanding the above, the Board would like to emphasize that there is no cancellation of major contracts of the Group as of the date of this announcement. 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.

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.

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 INFORMATION

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 Reporting Period, 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 Reporting Period.

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 the 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 have purchased, sold or redeemed any of its listed securities for the six months ended 30 June 2020.

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 Company received net proceeds (net of Stock Exchange trading fee, SFC transaction levy, registration fee and fees charged by the receiving banks) from the Company’s IPO of new Shares for the purpose of its listing on the Stock Exchange and issue of new Shares upon partial exercise of the Over-allotment Option (as defined in the Prospectus) of 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 amount initially to be used to fund the Group’s equity investment commitments under 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	
	<i>Approximate amount (RMB million)</i>	<i>Approximate percentage (%)</i>	<i>Approximate amount (RMB million)</i>	<i>Approximate percentage (%)</i>
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*	<u>1,603.32</u>	<u>99.70</u>	<u>4.81</u>	<u>0.30</u>

* 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.

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 announcement, there has been no major subsequent event of the Company from 30 June 2020 to the date of this announcement.

REVIEW OF INTERIM RESULTS

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 date of this announcement, 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.

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.
- (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.

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.

In the event that the actual proceeds from the A Share Offering, after deduction of the corresponding offering expenses, are insufficient to meet the investment needs for all such projects, the Company will prioritize its investment in certain of the above projects by taking into account the urgency and materiality of each project and the shortfall shall be eased by the self-raised funds of the Company. If initial investment is required for the aforesaid investment projects to be funded by proceeds before the proceeds from the offering are available due to factors such as operational needs or market competition, the Company will initially fund the projects by way of its self-owned funds, bank loans or financing leases, etc. Once the proceeds from the offering are available, the Company will replace its initial investment of self-owned funds in relevant investment projects and/or repay bank loans and/or financing leases with the proceeds from the offering. In the event that the actual proceeds, after deduction of the corresponding offering expenses, are more than those required for the aforesaid investment projects to be funded by proceeds, the surplus will be applied to replenish the working capital of the Company through legal procedures in accordance with the national laws, regulations and the relevant requirements of the CSRC.

- (8) Undertaking of offering expenses : All the Shares to be offered in the public offering are new Shares and all the offering expenses incurred thereof shall be borne by the Company.
- (9) Underwriting method : Standby commitment.
- (10) Conversion into a joint stock limited liability company with Shares issued and listed domestically and overseas : After the approval of the A Share Offering and Listing by the CSRC, the Company will apply for the conversion into a joint stock limited liability company with Shares issued and listed domestically and overseas.
- (11) Valid period of the resolutions : The relevant resolutions of the A Share Offering and Listing shall be valid for 12 months from the date of the approval at the 2019 second extraordinary general meeting of the Company and the 2019 first domestic Shareholders class meeting of the Company and the 2019 first H Shareholders class meeting of the Company (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.

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
<i>Directors</i>					
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%
<i>Supervisors</i>					
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.

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.

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	percentage of shareholding in total issued share capital of the Company as at 30 June
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 date of this announcement, 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 announcement, 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.

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

30 June 2020

Assets	Notes	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000
Current assets			
Currency funds		5,465,114	7,045,270
Financial assets held for trading		584	4,931
Accounts receivable	3	6,008,900	5,748,686
Accounts receivable financing		1,089,983	1,257,760
Prepayments		1,251,294	1,285,168
Other receivables		2,417,681	2,468,999
Inventories		338,915	241,145
Contract assets		39,890,798	39,231,476
Non-current assets due within one year		26,061	26,061
Other current assets		165,770	117,736
Total current assets		<u>56,655,100</u>	<u>57,427,232</u>
Non-current assets			
Long-term receivables	4	93,819	93,840
Contract assets		1,431,489	1,287,426
Long-term equity investments		531,111	530,015
Other equity instrument investments		734,007	779,054
Investment property		136,600	134,750
Fixed assets		380,529	378,117
Construction in progress		424,060	15,764
Right-of-use assets		39,443	46,544
Intangible assets		101,844	35,633
Deferred tax assets		219,071	198,196
Total non-current assets		<u>4,091,973</u>	<u>3,499,339</u>
Total assets		<u>60,747,073</u>	<u>60,926,571</u>

INTERIM CONSOLIDATED BALANCE SHEET (continued)

30 June 2020

Liabilities and shareholders' equity	<i>Notes</i>	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000
Current liabilities			
Short-term borrowings		2,236,017	2,250,713
Bills payable		446,768	380,677
Accounts payable	5	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		3,328,404	3,016,571
Total current liabilities		53,270,890	53,128,750
Non-current liabilities			
Long-term borrowings		1,578,998	1,864,424
Lease liabilities		15,280	29,825
Total non-current liabilities		1,594,278	1,894,249
Total liabilities		54,865,168	55,022,999
Shareholder's equity			
Share capital		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		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

INTERIM CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2020

	Notes	For the six months ended 30 June	
		2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Operating revenue	6	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		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		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		(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	7	69,978	168,207
Net profit		246,667	568,139

INTERIM CONSOLIDATED INCOME STATEMENT (continued)

For the six months ended 30 June 2020

	<i>Notes</i>	For the six months ended 30 June	
		2020	2019
		RMB'000	RMB'000
		(Unaudited)	(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		249,129	553,222
(Losses)/gains of minority interests		(2,462)	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		<u>(33,785)</u>	<u>66,255</u>
Other comprehensive income that will be reclassified to profit and loss			
Changes in fair value of account receivables financing		<u>1,585</u>	<u>–</u>
Total comprehensive income		<u>214,467</u>	<u>634,394</u>
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 and diluted earnings per share	8	<u>0.14</u>	<u>0.31</u>

NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2020

1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements are prepared in accordance with the “Accounting Standards for Business Enterprises – Basic Standards” and the specific accounting standards, application guidelines, interpretations and other relevant regulations issued by the Ministry of Finance and revised thereafter (hereinafter collectively 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.

2. ACCOUNTING POLICIES AND ESTIMATES

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.

3. 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, 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.

The ageing analysis of accounts receivable is as follows:

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000
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	<u>442,086</u>	<u>574,528</u>
	6,763,385	6,483,777
Less: Bad debt allowance on accounts receivable	<u>754,485</u>	<u>735,091</u>
	<u>6,008,900</u>	<u>5,748,686</u>

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

4. 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 RMB'000 (Unaudited)	31 December 2019 RMB'000
Receivables under concession projects	119,880	119,901
Less: Long-term receivables due within one year	<u>26,061</u>	<u>26,061</u>
	<u>93,819</u>	<u>93,840</u>

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.

5. ACCOUNTS PAYABLE

Accounts payable are non-interest bearing and are usually settled within the agreed period.

The ageing analysis of accounts payable is as follows:

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000
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	<u>452,229</u>	<u>219,528</u>
	<u>34,878,714</u>	<u>35,946,252</u>

The ageing of accounts payable is calculated since the recognition date of procurement.

6. OPERATING REVENUE

The operating revenue is as follows:

	For the six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Revenue from major business	14,124,866	19,908,086
Revenue from other business	246,690	389,068
	<u>14,371,556</u>	<u>20,297,154</u>

The operating revenue is as follows:

	For the six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Revenue generated by contracts with customers	14,355,917	20,288,364
Lease income	15,639	8,790
	<u>14,371,556</u>	<u>20,297,154</u>

Breakdown of operating revenue generated by contracts with customers

For the six months ended 30 June 2020 (Unaudited)

Reporting segment	Construction RMB'000	Others RMB'000	Total RMB'000
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
	<u>13,696,038</u>	<u>659,879</u>	<u>14,355,917</u>
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
	<u>13,696,038</u>	<u>659,879</u>	<u>14,355,917</u>
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 services	–	11,797	11,797
	<u>13,696,038</u>	<u>659,879</u>	<u>14,355,917</u>

For the six months ended 30 June 2019 (Unaudited)

Reporting segment	Construction RMB'000	Others RMB'000	Total RMB'000
Major operating regions			
China (excluding Hong Kong, Macau and Taiwan)	19,476,267	812,097	20,288,364
Major products			
Building construction	14,124,266	–	14,124,266
Infrastructure construction	3,644,648	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>

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

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(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.

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.

7. INCOME TAX EXPENSES

	For the six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Current income tax expenses	80,966	190,900
Deferred income tax income	(10,988)	(22,693)
	<u>69,978</u>	<u>168,207</u>

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

	For the six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (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
Deductible losses utilized from previous years	(539)	–
Adjustment of difference in approved profit rate of subsidiaries	–	(8,021)
Bonus deduction allowance of research and development expenses	(8,965)	(6,305)
Income tax expense at the Group's effective rate	<u>69,978</u>	<u>168,207</u>

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

8. EARNINGS PER SHARE

	For the six months ended 30 June	
	2020	2019
	<i>RMB per share</i>	<i>RMB per share</i>
	(Unaudited)	(Unaudited)
Basic earnings per share		
Continuing operations	0.14	0.30
Discontinued operations	–	0.01
	<u> </u>	<u> </u>

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).

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

	For the six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Earnings		
Net profit for the period attributable to ordinary shareholders of the Company		
Continuing operations	249,129	527,723
Discontinued operations	–	25,499
	<u> </u>	<u> </u>
	<u>249,129</u>	<u>553,222</u>
Shares		
Weighted average number of ordinary shares in issue of the Company	<u>1,761,383,500</u>	<u>1,761,383,500</u>

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

9. DIVIDENDS

The proposal of distribution of the 2019 final dividends of RMB0.14 per share (tax inclusive), totalling approximately RMB246,594,000, to the Shareholders of the Company was passed by the Shareholders of the Company by way of poll at the annual general meeting held on 23 June 2020 (the “2019 AGM”). No interim dividend is recommended for the six months ended 30 June 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 announcement, 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 Hong Kong Listing Rules and as at the date of this announcement, 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 subscribed for and traded in HK dollars and are listed on the Hong Kong Stock Exchange
“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
“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 date of this announcement, 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
“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 date of this announcement, Zhongru Investment directly held 68.3% equity interest of the Company and is a Controlling Shareholder of the Company
“%”	per cent