



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



2021



INTERIM REPORT

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CORPORATE INFORMATION

Basic information of the Company is set out below:

LEGAL NAME OF THE COMPANY

河北建設集團股份有限公司

ENGLISH NAME OF THE COMPANY

Hebei Construction Group Corporation Limited

DIRECTORS

Executive Directors

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

Mr. Shang Jinfeng (*President*)

Mr. Liu Yongjian

Mr. Zhao Wensheng

Non-executive Directors

Mr. Li Baoyuan (*Honorary Chairman*)

Mr. Cao Qingshe (*Vice Chairman*)

Independent Non-executive Directors

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 (*ACG, ACS*)

AUTHORIZED REPRESENTATIVES

Ms. Shen Lifeng

Ms. Wong Wai Ling (*ACG, ACS*)

BOARD COMMITTEES

Audit Committee

Ms. Shen Lifeng (*Chairwoman of the committee*)

Mr. Li Baoyuan

Mr. Cao Qingshe

Ms. Chen Xin

Mr. Chan Ngai Sang Kenny

Remuneration and Appraisal Committee

Ms. Chen Xin (*Chairwoman of the committee*)

Mr. Li Baozhong

Mr. Shang Jinfeng

Ms. Shen Lifeng

Mr. Chan Ngai Sang Kenny

Nomination Committee

Ms. Chen Xin (*Chairwoman of the committee*)

Mr. Li Baozhong

Mr. Shang Jinfeng

Ms. Shen Lifeng

Mr. Chan Ngai Sang Kenny

Strategic Committee

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

REGISTERED OFFICE

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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
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PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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STOCK SHORT NAME AND STOCK CODE

HEBEI CONS (01727)

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FINANCIAL HIGHLIGHTS

For the six months ended 30 June 2021, our revenue amounted to RMB19,970 million, representing an increase of 39.0% as compared with the corresponding period of 2020.

For the six months ended 30 June 2021, our net profit amounted to RMB229 million, representing a decrease of 7.1% as compared with the corresponding period of 2020.

For the six months ended 30 June 2021, our earnings per Share amounted to RMB0.13, representing a decrease of RMB0.01 as compared with the corresponding period of 2020.

PART I: OVERVIEW OF COMPANY'S BUSINESS

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

- Construction contracting business. We provide construction project contracting services mainly as a general contractor for building construction projects and infrastructure construction projects.
- Other businesses. We are also engaged in service concession arrangements and other businesses.

A substantial majority of our revenue is generated from the construction contracting business, which mainly comprises of building construction business, infrastructure construction business and specialized and other construction contracting business. In the first half of 2021, our new contract value was RMB21,908 million, representing an increase of 5.28% as compared with RMB20,809 million for the corresponding period of last year; and ongoing contract backlog was RMB79,435 million, representing a decrease of 2.79% as compared with RMB81,705 million as at the end of 2020.

New contract value (by region):

Year	For the six months ended 30 June	
	2021	2020
RMB100 million	219.08	208.09
Share of Beijing-Tianjin-Hebei	64.87%	58.98%
Share of other regions	35.13%	41.02%

BUSINESS OVERVIEW

New contract value (by segment):

Year	For the six months ended 30 June	
	2021	2020
RMB100 million	219.08	208.09
Share of building construction	67.81%	66.30%
Share of infrastructure construction	23.85%	26.74%
Share of specialized and other construction	8.34%	6.96%

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 2021, the new contract value from the building construction business was RMB14,855 million, compared with RMB13,796 million for the corresponding period of last year.

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

Year	For the six months ended 30 June	
	2021	2020
RMB100 million	148.55	137.96
Share of residential construction	49.25%	66.76%
Share of public building construction	30.28%	21.70%
Share of industrial building construction	16.11%	7.68%
Share of commercial building construction	4.36%	3.86%

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 2021, the new contract value from the infrastructure construction business was RMB5,225 million, compared with RMB5,564 million for the corresponding period of last year.

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

Year	For the six months ended 30 June	
	2021	2020
RMB100 million	52.25	55.64
Share of municipal infrastructure construction	66.97%	74.33%
Share of transportation infrastructure construction	33.03%	25.67%

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 2021, the new contract value from the specialized and other construction contracting business was RMB1,828 million, compared with RMB1,449 million for the corresponding period of last year.

BUSINESS OVERVIEW

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

Year	For the six months ended 30 June	
	2021	2020
RMB100 million	18.28	14.49
Share of electrical and mechanical installation	9.57%	5.84%
Share of steel structures	3.16%	21.73%
Share of decoration	53.15%	33.41%
Share of other construction business	34.12%	39.02%

Representative projects of new contracts

Business segment	Name of project	Contract value (RMB100 million)	Region
Residential building	Phase IV of Resettlement Housing Project in Huangqu New Village, Pingfang Town (36 items including residential building 1#) (平房鄉黃渠新村四期安置房項目(1#住宅樓等36項))	14.50	Beijing
	Resettlement Housing Construction Project In Sifeng District, Pingshui (平水四豐區塊安置房建設工程)	3.75	Zhejiang
	Construction and Installation of Tongchuanzhongjun • Jingfeng Project (銅川中駿•璟峰項目建築安裝工程)	3.63	Shaanxi
	Construction of Phase III of Taisheng • Daiheyuan (Buildings 12#-39#, guardhouse, section II underground parking garage) (泰盛•戴河源三期(12#-39#樓, 門衛, II段地下車庫)工程施工)	3.27	Hebei

Business segment	Name of project	Contract value <i>(RMB100 million)</i>	Region
Public building	EPC General Contracting of Construction of Shengzhou Culture and Media Center (嵯州市文化傳媒中心建設工程EPC總承包)	5.64	Zhejiang
	Baoding Jingxiu Senior High School Construction Project (保定市競秀高級中學建設項目)	3.17	Hebei
	Construction of Wenxi County People's Hospital in Wenxi County Chengxi Healthcare Industry Park (聞喜縣城西健康產業園聞喜縣人民醫院建設項目施工)	3.09	Shanxi
Industrial building	Jinjinledao Industrial Park Center Project (巾巾樂道產業育城中心項目)	3.51	Hebei
	Zhongnan Hi-Tech Luancheng New Smart Valley Project (中南高科樂城新智谷項目)	2.19	Hebei
	EPC General Contracting of Phase I of Construction of Standardized Plants in Fudong Industrial Park (阜東產業園區工業台地標準化廠房建設項目一期設計、採購、施工總承包)	1.84	Hebei
Commercial building	Hengbai International Plaza Construction Project (衡百國際廣場建設項目)	2.35	Hebei
Municipal infrastructure construction	Xinjiang Production and Construction Corps 13th Division Xinxing City Center Ecological Green Space Construction Project (EPC General Contracting) (新疆生產建設兵團第十三師新星市中心城區生態綠地建設項目(設計採購施工一體化總承包))	6.85	Xinjiang Uygur Autonomous Region

BUSINESS OVERVIEW

Business segment	Name of project	Contract value <i>(RMB100 million)</i>	Region
Transportation infrastructure construction	New Hohhot Airport Airfield Runway Project (FXQ-CD-03) Section Construction (呼和浩特新機場飛行區場道工程 (FXQ-CD-03) 標段施工)	4.88	Inner Mongolia Autonomous Region
	Specialized Subcontracting Project for Construction of Shitouwo Tunnel (石頭窩隧道施工專業分包工程)	2.39	Guangdong
Decoration	Interior Decoration and Auxiliary Facilities of the Gu'an County People's Hospital Relocation and Construction Project (固安縣人民醫院遷址新建項目室內裝修及配套附屬工程)	1.45	Hebei

Representative projects of construction in progress

Business segment	Name of project	Executive contract value <i>(RMB100 million)</i>	Region
Public building	Beijing New Airport Education and Scientific Research Station Project (北京新機場教育科研基地項目)	7.17	Beijing
	Yutian County Hospital Relocation Project (玉田縣醫院整體遷建工程)	6.73	Hebei
	Phase I Construction of Baoding National University Science and Technology Park Science and Innovation Zone Project (Productive Services) (保定國家大學科技園科創分園項目(生產性服務業)一期工程施工)	7.82	Hebei
	Knowledge City ZSCXN-B3-2 (Medical City) Project (知識城ZSCXN-B3-2 (醫療城)項目)	12.60	Guangdong

Business segment	Name of project	Executive contract value (RMB100 million)	Region
	General Contracting of Design and Construction of Songshan Lake (Ecological Park) Robot Intelligent Equipment Manufacturing Industry Accelerator (松山湖(生態園)機器人智能裝備製造產業加速器設計施工總承包)	9.17	Guangdong
Residential building	9 items including 24-3# residential building (Shunyi District Renhe Town Linhe Village Shanty Town Renovation Land Development B Area Project (Integration of Dongcheng Resettlement Housing)) (24-3#住宅等9項(順義區仁和鎮臨河村棚戶區改造土地開發區B片區項目(對接東城安置房)))	5.57	Beijing
	Phase IV of Resettlement Housing Project in Huangqu New Village, Pingfang Town (36 items including residential building 1#) (平房鄉黃渠新村四期安置房項目(1#住宅樓等36項))	14.50	Beijing
	EPC Project of Shengtang South Road Community and Assembled Commercial Housing in Tongcheng (桐城市盛唐南路小區及配建商品房EPC項目)	6.50	Anhui
	Construction Project of Renovation of Pitou Village Shanty Town in Huyi District (鄆邑區陂頭村棚戶區改造項目施工)	9.90	Shaanxi
	Sichuan Tourism Investment Group - Jinjiang Mansion (旅投·錦江公館)	6.08	Sichuan

BUSINESS OVERVIEW

Business segment	Name of project	Executive contract value <i>(RMB100 million)</i>	Region
Commercial building	EPC General Contracting of the Dezhou Emergency Supplies Reserve and Cold Chain Logistics Supporting Base Project (德州市應急物資儲備及冷鏈物流保障基地項目 EPC 總承包)	3.00	Shandong
	Gu'an Laikangjun North Lakeside Commercial (Elderly Care and Healthcare Project Phase II) Project (固安來康郡·大湖北側商業(養老健康養生項目二期項目)項目)	4.00	Hebei
Industrial building	Construction Project of Hangzhou Renhe Grain Storage Depot (Second Bid Section) (杭州市仁和糧食儲備庫建設工程(標段二))	3.56	Zhejiang
Transportation infrastructure construction	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))	4.59	Ethiopia
	EPC General Contracting of the Construction Project of Bazhou Connecting Section (East Extension of Yingbin Road) of Beijing-Dezhou Expressway (京德高速霸州連接線(迎賓道東延)建設工程設計施工總承包)	4.07	Hebei
	PPP Project of Construction of South Section of Zhongshan Danan Highway (Addition of Six Lanes) (中山市大南公路(加六線)南區段工程PPP項目)	4.08	Guangdong

Business segment	Name of project	Executive contract value <i>(RMB100 million)</i>	Region
Municipal infrastructure construction	EPC General Contracting of Road Construction of Zhongke Science and Technology Innovation Park Project in Jingyang County (涇陽縣中科技創園項目園區道路項目工程總承包(EPC))	1.59	Shaanxi
Steel structures	Construction of Anyue Jiayuan Residence Affordable Housing Project (Phase II) (Residential buildings 8#, 10#-13#, commercial building and kindergarten) (安悅佳苑小區保障性住房項目(二期)(8#、10#-13#住宅樓及商業、幼兒園)施工)	2.93	Hebei
Decoration	Renovation and Exhibition of New Hall of Zhangjiakou Museum (張家口市博物館新館裝修和布展)	0.65	Hebei
Specialized and Other Construction	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)	2.62	Hebei

Representative projects of completed projects

Business segment	Name of project	Executive contract value <i>(RMB100 million)</i>	Region
Public building	Tsinghua Affiliated High School Chaoyang Campus Expansion and Renovation Project (清華附中朝陽學校改擴建工程)	1.01	Beijing
Residential building	Landun Classic B Zone Project (Ancillary facilities 10#, 12#, 15#-17#, B1#-B2#, underground parking garage) (蘭頓經典B區項目(10#、12#、15#-17#、B1#-B2# 配套、地下車庫))	1.98	Hebei
	General Contracting of Baoyi Chongqing Bananlujiao M39 (Phase II) (保億重慶巴南鹿角M39(二期)總承包工程)	2.48	Chongqing
Transportation infrastructure construction	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)	11.91	Hebei
Mechanical and electrical installation	EPC General Contracting of 2019 Dingzhou Ground Source Heat Heating and Power Supply Facilities Renovation Project (2019年定州市地源熱採暖供電設施改造工程設計施工總承包)	0.62	Hebei

PART II: RESEARCH AND DEVELOPMENT ACHIEVEMENTS AND AWARDS

In the first half of 2021, 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: Our project of “Demonstration of Green Building Technology in the National Building Energy Saving Technology International Innovation Park” was admitted by the Ministry of Housing and Urban-Rural Development as the 2021 science and technology project. We initiated 31 projects admitted by the Hebei Provincial Department of Housing and Urban-Rural Development as new technology demonstration projects, and applied for 17 projects to be admitted as the 2021 construction technology projects by the Hebei Provincial Department of Housing and Urban-Rural Development.
2. Enterprise level science and technology projects: In 2020, we incurred research and development expenses of RMB46,009,500 for 258 enterprise level science and technology projects. In the first half of 2021, we assessed and initiated 200 enterprise level research and development projects and carried out research and development activities in an orderly manner.
3. Provincial technique and technology progress awards: We completed the assessment of 29 provincial techniques and key technologies, made 29 applications for provincial techniques and applied for four Science and Technology Awards of Hebei Building Industry Association.
4. Construction and operation of technology platform: We carried out platform construction and operation with increased efforts, and the Hebei Prefabricated Construction Technology Innovation Center (Preparatory), being the Technology Innovation Center of Hebei Provincial Department of Science and Technology, was ready for inspection and acceptance, and the assessment for admission and graduation of the postdoctoral workstations were carried out in an orderly manner.
5. Intellectual property: We patented our key technologies in a timely manner. As of the end of June 2021, we obtained 91 new patents (including five invention patents), submitted 72 patent applications (including 11 applications for invention patents).

In the first half of 2021, in terms of quality awards, 150 projects were awarded as provincial-level outstanding quality control team activities, one project won the Great Wall Cup Golden Award for municipal infrastructure public and highway project in Beijing, one project was recognized as a high-quality structural project for construction projects in Liaoning Province, two projects were recognized as high-quality construction structure projects in Hubei Province, one project was recognized as the Chongqing Three Gorges Cup quality structural project, five projects were recognized as high-quality construction structure projects in Inner Mongolia Autonomous Region, four projects were awarded as excellent survey and design achievements in Hebei Province, and one project was recognized as the first batch of smart construction site demonstration projects in Hebei Province.

PART III OUTLOOK

At present, as the pandemic in China becomes basically under effective control, the Party, the government, the general public and all parties from different industries are eager to get the economy back on track and achieve new growth. As such, we will strive to facilitate market expansion with firm confidence by capturing opportunities from the national strategies of increasing domestic demand, the favorable policies of cooperative development of the Beijing-Tianjin-Hebei region and the construction of Xiong'an New Area and Airport Economic Zone, and Baoding's development initiative of accelerating the construction of a city of quality life.

Market expansion requires us to put concentrated efforts in core areas with great determination. With the in-depth implementation of Beijing-Tianjin-Hebei cooperative development, the accelerated construction of Xiong'an New Area and the commencement of operation of Beijing Daxing International Airport, Baoding has been presented with a major development opportunity. At present, Baoding actively serves Beijing and connects with Xiong'an, and comprehensively promotes urban renewal, construction of water system around the city, preservation and utilization of ancient cities, creation of cultural landmarks and other urban construction projects in order to create a new pattern of integrated development of Beijing, Xiong'an and Baoding and meticulously build a city of quality life in the world-class city cluster of Beijing-Tianjin-Hebei region. Currently, the Company has undertaken various urban construction projects in the main urban area of Baoding, and we will continue to make greater contributions to Baoding's initiative of building a city of quality life.

We will strive to identify opportunities from national policies such as rural revitalization, new-type urbanization construction, and renovation of old urban areas, and leverage our comprehensive advantages in landscaping and gardening, highways, and municipal infrastructure to increase market share. We will try to expand to emerging business sectors such as rail transportation, ports, waterways, railroads, water conservancy and hydropower and water body management. With the focus on Langfang Airport Economic Zone, we will actively support the construction of Airport Economic Zone to seize more market opportunities in aspects of road network, light rail and subway, public security projects, regional services and urban operation projects.

We will eliminate risky projects at the stage of the market undertaking and optimize the market structure while maintaining all kinds of market resources. We will focus on establishing strategic alliances with large state-owned enterprises and central enterprises to form complementary advantages and achieve strategic cooperation and a win-win situation. To this end, we will actively carry out in-depth cooperation with practical actions to establish a solid alliance.

We will seize the opportunity from the new round of qualification reform of construction enterprises, closely follow the direction of national strategies, study the market policy trend, and actively explore new sectors to facilitate the continuous improvement of project quality and our brand value. In addition, with an open mindset, we will actively integrate resources to promote market expansion with our abilities in technological innovation, project site management and quality management.

With effective risk prevention, we will focus on the three key tasks of project organization and construction, standardized management of construction projects and systematic risk prevention. We will promote integrated management of business and finance by integrating the process of business, finance, treasury and taxation, and facilitate management and risk prevention with information technology, thereby laying a solid foundation for the healthy operation and development of the Company.

The Company has relocated to a new commercial office building at the beginning of the year, with motivated our staff to move forward in the new journey with concerted efforts in a new environment in the new era. The Company will always keep the passion of entrepreneurship, adhere to the corporate personality of “focusing on integrity and honest practices”, strive to deliver outstanding performance in the starting year of the “14th Five-Year Plan” period, and celebrate the 100th anniversary of the founding of the Communist Party of China and the 70th anniversary of the founding of the Company with excellent results.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Operating Income, Operating Cost and Gross Profit

The operating revenue for the six months ended 30 June 2021 amounted to RMB19,970 million, representing an increase of approximately RMB5,599 million as compared with the corresponding period of last year, which was mainly due to the increase in revenue from construction contracting business of RMB5,466 million.

Segment operating results of construction contracting business

	Six months ended 30 June 2021				Six months ended 30 June 2020			
	Revenue (RMB100 million)	Cost (RMB100 million)	Gross profit margin %	Percentage %	Revenue (RMB100 million)	Cost (RMB100 million)	Gross profit margin %	Percentage %
Building construction business	132.69	126.45	4.7	67.7	94.51	90.07	4.7	66.9
Infrastructure construction business	47.63	44.61	6.3	24.3	30.96	29.07	6.1	21.9
Specialized and other construction business	15.59	14.64	6.1	8.0	15.78	14.82	6.1	11.2
Total	195.91	185.70	5.2		141.25	133.96	5.2	

The revenue from construction contracting business for the six months ended 30 June 2021 increased by RMB5,466 million, which was mainly due to the fact that as compared to the same period of last year, the relevant business of the Group was not significantly affected by the COVID-19 pandemic in the Reporting Period.

The change in revenue from construction contracting segment is analyzed as follows:

- (1) The building construction business, being the largest revenue contributor to construction contracting business, was not significantly affected by the COVID-19 pandemic during the Reporting Period, which led to an increase in revenue from building construction business of RMB3,818 million as compared to the same period of last year.
- (2) The revenue from infrastructure construction business increased by RMB1,667 million as compared to the same period of last year. The revenue from the infrastructure construction business recovered to the level of the corresponding period in previous years as the impact of the COVID-19 pandemic weakened during the Reporting Period. In addition, the proportion of infrastructure construction business with higher gross profit increased as the Group undertook more new infrastructure construction projects.
- (3) The revenue from specialized and other construction business in the first half of 2021 showed little change as compared to the same period of last year. Such business mainly includes other construction businesses such as mechanical and electrical installation and steel structure, which has a shorter construction period and more stable revenue.

Selling Expenses

The selling expenses for January to June 2021 amounted to RMB0.53 million, which remained basically stable as compared to the same period of last year.

Administrative Expenses

In the first half of 2021, the Group's administrative expenses amounted to RMB271 million, representing an increase of RMB82 million as compared to the same period in 2020. This was mainly due to (i) the increase in social insurance expenses during the Reporting Period as compared to the same period of last year resulting from reduction and exemption of social insurance offered by the government to alleviate the effect of the pandemic during the same period of last year; and (ii) the increase in the number of employees during the Reporting Period, which led to an increase in employee remuneration, benefits and social insurance contributions as compared to the same period of last year.

Research and Development Costs

The research and development costs of the Group for the first half of 2021 amounted to RMB15 million, representing an increase of RMB3 million as compared to the corresponding period of 2020. The research and development costs mainly calculate 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 increase was mainly because the Group was not significantly affected by the COVID-19 pandemic during the Reporting Period, while certain research and development projects had not commenced operation from January to March 2020 affected by the pandemic.

Credit Impairment Losses

Credit impairment losses for January to June 2021 amounted to RMB94 million, representing an increase of RMB77 million as compared to the same period of 2020, which was mainly due to the increase in bad debt provision made individually by the Group for certain long-standing amounts based on the operating conditions of the customer companies.

Asset Impairment Losses

Asset impairment losses for January to June 2021 amounted RMB232 million, representing an increase of RMB201 million as compared to the same period of 2020, which was mainly due to the increase in bad debt provision made by the Group for individual contract assets of certain projects with slow settlement progress in view of the operating conditions of the property owners.

Investment Income

The investment income for January to June 2021 amounted RMB29 million, representing an increase of RMB33 million as compared to the corresponding period of 2020, which was mainly due to the increase in dividends declared by the investees 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 2021 amounted to RMB53 million, representing a decrease of RMB17 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 2021 was RMB229 million, representing a decrease of approximately RMB18 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 2021 and 31 December 2020, the Group had cash and cash equivalents of approximately RMB5,771 million and approximately RMB8,001 million, respectively. For the liquidity and capital structure of the funds of the Group, please refer to the financial ratios below.

Currency Funds

As at 30 June 2021, currency funds of the Group were RMB6,216 million, representing a decrease of RMB2,237 million as compared with that at the end of 2020, which was mainly due to the increase in net cash outflows used in operating activities and financing 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.

Long-term Equity Investments

As at 30 June 2021, the long-term equity investment was RMB551 million, representing an increase of RMB10 million as compared with that at the end of 2020, which was mainly due to the investment in associates during the Reporting Period and the change in profit or loss of investments under equity method.

Accounts Receivable and Long-term Receivables

As of 30 June 2021, the net value of accounts receivable was RMB6,139 million, representing an increase of approximately RMB712 million as compared with that at the end of 2020, which was mainly due to the overall accelerated settlement of projects by the Group during the Reporting Period. The balance of long-term receivables (including the portion due within one year) was RMB206 million, representing an increase of approximately RMB85 million as compared with that at the end of 2020, which was mainly due to the long-term receivables carried forward from long-term contract assets as a result of the completion, finalization and commencement of operation of concession projects.

Other Receivables

As of 30 June 2021, net amount of other receivables of the Group was RMB2,731 million, representing an increase of approximately RMB294 million as compared to that at the end of last year, which was mainly due to the increase in payment of deposits and advances during the Reporting Period.

Contract Assets and Construction Services Contract Liabilities

The net value of contract assets as of 30 June 2021 was RMB38,881 million, representing a decrease of approximately RMB1,642 million as compared with that at the end of 2020, which was mainly due to the timely settlement of completed projects during the Reporting Period. Contract liabilities as of 30 June 2021 were RMB5,284 million, representing a decrease of approximately RMB732 million as compared with that at the end of 2020, which was mainly due to the increase in construction progress during the Reporting Period, resulting in a decrease in contract liabilities corresponding to prepayments for construction last year.

Other Equity Instrument Investment

The carrying value of other equity instrument investment as at 30 June 2021 was RMB782 million, representing an increase of approximately RMB13 million as compared with that at the end of 2020, which was mainly due to the increase in fair value of the Group's investment in other equity instruments.

Borrowings

The bank borrowings of the Group mainly include long-term and short-term borrowings from financial institutions.

As at 30 June 2021, the Group's interest-bearing borrowings were approximately RMB5,158 million (31 December 2020: approximately RMB5,186 million).

Bills and Accounts Payable

The balance of accounts payable as of 30 June 2021 was RMB33,491 million, representing a decrease of RMB1,535 million or 4% as compared with that at the end of 2020. Such change was mainly due to the shortening of credit period for payment for procurement made by the Group with certain suppliers as a result of the tightened liquidity of bulk raw material suppliers affected by the international economic situation during the Reporting Period. The balance of bills payable increased by RMB295 million compared with that at the end of the previous year, which was mainly due to the increase in the proportion of bill payment by the Group.

Capital Expenditures

Capital expenditures in the first half of 2021 were approximately RMB132 million, representing a decrease of RMB371 million as compared to the corresponding period of 2020, which was mainly because there was no significant capital expenditure for office building construction during the Reporting Period.

Capital Commitment

As at 30 June 2021, the Group did not have any material capital commitment.

Financial Ratios

	30 June 2021	31 December 2020
Current ratio (times) ⁽¹⁾	1.1	1.1
Quick ratio (times) ⁽²⁾	1.1	1.1
Gearing ratio ⁽³⁾	80.1%	80.5%
Return on assets ⁽⁴⁾ (not annualized)	0.4%	1.2%
Return on equity ⁽⁵⁾ (not annualized)	3.6%	12.2%

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%.

Significant Acquisition or Disposal

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

Contingent Liabilities

As at 30 June 2021, the banking facilities granted to third parties subject to guarantees given to the banks by the Group were utilised to the extent of approximately RMB145 million, and contingent liabilities arising from pending litigation or arbitration amounted to RMB6.68 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 2021, the Group has had a total of 8,823 full-time employees (31 December 2020: 8,773). 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, which provided effective guarantee for recruiting, retaining and motivating talents, as well as the pursuit of human resources strategy of the Company. The Group adheres to the principle of people-oriented and education first, establishes a three-level, four-tier and five-section staff education and training system, pays attention to the growth of young employees, and adopts the main training modes of "one-to-one apprenticeship" and "358 talent training plan" to help employees realize their plans of career development. The Company has established a talent pool of candidates for key positions and cooperated with Tsinghua University to provide special training for reserve cadres in the form of "advanced training courses for key positions".

As confirmed by the Directors of the Group, in previous period, the Group did not use any forfeited contributions under the defined contribution schemes to reduce the existing level of contributions as set out in paragraph 26(2) of Appendix 16 to the Listing Rules, and such matter will not have a material impact on the financial position and operating results of the Group.

ISSUED SHARE CAPITAL

As at 30 June 2021, the total share capital of the Company was RMB1,761,383,500, divided into 1,761,383,500 Shares with a nominal value of RMB1.00 each. During the Reporting Period, there was no change in the share capital of the Company.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

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

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

During the six months ended 30 June 2021, the Company had complied with all the code provisions as set out in the Corporate Governance Code 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, and they all confirmed that they have complied with the standards specified in the Model Code during the six months ended 30 June 2021.

AMENDMENTS TO THE ARTICLES OF ASSOCIATION

There was no major changes on the Articles of Association by the Company during the Reporting Period.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor its subsidiaries has purchased, sold or redeemed any of its listed securities for the six months ended 30 June 2021.

DIVIDEND DISTRIBUTION

2020 Final Dividend

According to the Profit Distribution Proposal of the Company for 2020 considered and approved by the Shareholders of the Company at the 2020 AGM convened on 8 June 2021, 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 2020 to Shareholders, totalling RMB246,593,690. The Company will distribute 2020 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 Thursday, 17 June 2021. Such dividend was distributed on Friday, 16 July 2021. For details, please refer to the 2020 AGM circular dated 10 May 2021 and the announcement dated 8 June 2021.

2021 Interim Dividend

The Board does not recommend the distribution of interim dividend for the six months ended 30 June 2021.

SIGNIFICANT SUBSEQUENT EVENTS

Save as disclosed in this report, there has been no major subsequent event of the Group from 30 June 2021 to the Latest Practicable Date.

REVIEW OF INTERIM REPORT BY AUDIT COMMITTEE

The members of the Audit Committee of the Company are Ms. Shen Lifeng (Chairwoman of the committee), Mr. Li Baoyuan, Mr. Cao Qingshe, Ms. Chen Xin and Mr. Chan Ngai Sang Kenny. The Audit Committee of the Company has reviewed and confirmed the Group's interim results announcement for the six months ended 30 June 2021, the 2021 interim report and the unaudited interim financial statements for the six months ended 30 June 2021 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 2021, the total registered 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.

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 2021, 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		Nature of interest	Approximate percentage of shareholding in the relevant class of Shares as at 30 June 2021	Approximate percentage of shareholding in the total issued share capital of the Company as at 30 June 2021
		interested	Class of Shares			
Mr. Li Baoyuan ¹	Interest in controlled corporation	1,300,000,000	Domestic Shares	Long position	100%	73.80%

Notes:

- As at 30 June 2021, Qianbao Investment directly holds 5.54% of the equity interests in the Company and 39.76% of the equity interests in Zhongru Investment. In addition, each of the 145 individuals holding in aggregate the remaining 60.24% 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 2021, 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 254,000,000 shares, in Zhongru Investment and thus be interested in the 1,300,000,000 Shares directly or indirectly held by Qianbao Investment for the purpose of Part XV of the SFO.
- As at the Latest Practicable Date of this report, Zhongru Investment has 146 individual shareholders holding a total share capital of 255,000,000 shares.

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 2021
Directors					
Mr. Li Baoyuan ¹	Qianbao Investment ²	Beneficial owner	45,000,000 shares	Long position	90.00%
	Zhongru Investment ³	Interest in controlled corporation	254,000,000 shares	Long position	100.00%
Mr. Li Baozhong	Qianbao Investment ²	Beneficial owner	5,000,000 shares	Long position	10.00%
Mr. Cao Qingshe	Zhongru Investment ³	Beneficial owner	5,000,000 shares	Long position	1.97%
Mr. Shang Jinfeng	Zhongru Investment ³	Beneficial owner	1,000,000 shares	Long position	0.39%
Mr. Zhao Wensheng	Zhongru Investment ³	Beneficial owner	1,000,000 shares	Long position	0.39%
Mr. Liu Yongjian	Zhongru Investment ³	Beneficial owner	2,000,000 shares	Long position	0.79%
Supervisors					
Mr. Yu Xuefeng	Zhongru Investment ³	Beneficial owner	1,000,000 shares	Long position	0.39%
Ms. Feng Xiujian	Zhongru Investment ³	Beneficial owner	1,000,000 shares	Long position	0.39%
Mr. Wang Feng	Zhongru Investment ³	Beneficial owner	1,000,000 shares	Long position	0.39%
Mr. Liu Jingqiao	Zhongru Investment ³	Beneficial owner	500,000 shares	Long position	0.20%
Mr. Yue Jianming	Zhongru Investment ³	Beneficial owner	500,000 shares	Long position	0.20%

Notes:

- As at 30 June 2021, Mr. Li Baoyuan directly holds 90% of the equity interests in Qianbao Investment, and Qianbao Investment directly holds 39.76% of the equity interests in Zhongru Investment. In addition, each of the 145 individuals holding in aggregate the remaining 60.24% 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 254,000,000 shares, in Zhongru Investment.
- As at 30 June 2021, the total share capital of Qianbao Investment is 50,000,000 shares.
- As at 30 June 2021, the total share capital of Zhongru Investment is 254,000,000 shares.
- As at the Latest Practicable Date of this report, Zhongru Investment has 146 individual shareholders holding a total share capital of 255,000,000 shares.

CHANGES IN SHARE CAPITAL AND INFORMATION OF SHAREHOLDERS

Save as disclosed above, so far as any Directors, Supervisors or chief executives of the Company are aware, as at 30 June 2021, 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 2021, 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 2021, 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 percentage of shareholding in the relevant class of Shares as at 30 June 2021	Approximate percentage of shareholding in total issued share capital of the Company as at 30 June 2021
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%

Notes:

- As at 30 June 2021, Qianbao Investment directly holds 5.54% of the equity interests in the Company and 39.76% of the equity interests in Zhongru Investment. In addition, each of the 145 individuals holding in aggregate the remaining 60.24% 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.
- As at the Latest Practicable Date of this report, Zhongru Investment has 146 individual shareholders holding a total share capital of 255,000,000 shares.

INFORMATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

INFORMATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

The Board of Directors has 9 Directors, including: 4 executive Directors, namely Mr. Li Baozhong, Mr. Shang Jinfeng, Ms. Liu Yongjian and Mr. Zhao Wensheng; 2 non-executive Directors, namely Mr. Li Baoyuan and Mr. Cao Qingshe; and 3 independent non-executive Directors, namely Ms. Shen Lifeng, Ms. Chen Xin and Mr. Chan Ngai Sang Kenny.

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

The Company has a total of 8 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. Zhang Wenzhong (Vice President), Mr. Tian Wei (Vice President), Mr. Lü Qian (Vice President), Mr. Li Zhongyi (Vice President and Chief Economic Officer) and Mr. Li Wutie (Board Secretary and Assistant to the President).

Save as disclosed in this report, there is no change in the information of Directors, Supervisors and chief executive of the Company that is required to be disclosed pursuant to the provisions of Rule 13.51B(1) of the Listing Rules.

CHANGE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

During the Reporting Period, there was no change of Directors, Supervisors and senior management of the Company.

INTERIM CONSOLIDATED BALANCE SHEET (UNAUDITED)

30 June 2021
RMB'000

Assets	Note VI	30 June 2021 (Unaudited)	31 December 2020
Current assets			
Currency funds	1	6,216,372	8,453,271
Financial assets held for trading		817	743
Accounts receivable	2	6,139,302	5,427,035
Receivables financing	3	2,327,260	1,699,431
Prepayments	4	562,257	822,212
Other receivables	5	2,731,263	2,437,425
Inventories		296,275	337,772
Contract assets	6	36,719,775	38,503,175
Non-current assets due within one year		43,646	35,102
Other current assets	7	255,333	180,561
Total current assets		55,292,300	57,896,727
Non-current assets			
Long-term receivables	8	162,238	85,792
Long-term equity investments	9	551,280	540,801
Contract assets	6	2,161,600	2,020,415
Other equity investments	10	782,461	769,108
Investment property		137,900	136,700
Fixed assets	11	849,696	362,101
Construction in progress		149,206	575,027
Right-of-use assets	12	27,447	31,773
Intangible assets		99,674	100,746
Deferred tax assets		358,589	274,692
Total non-current assets		5,280,091	4,897,155
Total assets		60,572,391	62,793,882

The notes form an integral part of these financial statements

INTERIM CONSOLIDATED BALANCE SHEET (UNAUDITED)

30 June 2021
RMB'000

Liabilities and owners' equity	<i>Note VI</i>	30 June 2021 (Unaudited)	31 December 2020
Current liabilities			
Short-term borrowings	14	2,145,050	2,269,541
Notes payable		866,577	571,443
Accounts payable	15	33,491,076	35,025,888
Contract liabilities		5,283,685	6,015,490
Employee benefits payable		216,901	202,579
Taxes payable		647,425	694,775
Other payables		5,207,788	5,304,087
Non-current liabilities due within one year		380,154	964,713
Other current liabilities	16	3,235,404	3,323,576
Total current liabilities		51,474,060	54,372,092
Non-current liabilities			
Long-term borrowings	17	2,640,946	1,959,599
Lease liabilities	18	17,727	22,112
Total non-current liabilities		2,658,673	1,981,711
Total liabilities		54,132,733	56,353,803

INTERIM CONSOLIDATED BALANCE SHEET (UNAUDITED)

30 June 2021
RMB'000

Liabilities and owners' equity	<i>Note VI</i>	30 June 2021 (Unaudited)	31 December 2020
Owners' equity			
Share capital	19	1,761,384	1,761,384
Capital reserve		1,661,232	1,661,232
Other comprehensive income		153,274	141,182
Surplus reserves		500,912	500,912
Retained earnings	20	2,171,468	2,181,233
Total equity attributable to owners of the parent		6,248,270	6,245,943
Minority interests		191,388	194,136
Total owners' equity		6,439,658	6,440,079
Total liabilities and owners' equity		60,572,391	62,793,882

The financial statements have been signed by:

Legal Representative:

*Principal in charge of
accounting:*

*Head of accounting
department:*

The notes form an integral part of these financial statements

INTERIM CONSOLIDATED INCOME STATEMENT (UNAUDITED)

Six months ended 30 June 2021
RMB'000

	Note VI	Six months ended 30 June 2021 (Unaudited)	Six months ended 30 June 2020 (Unaudited)
Operating revenue	21	19,970,407	14,371,556
Less: Operating costs		18,890,792	13,604,235
Taxes and surcharges		47,836	34,409
Selling expenses		527	452
Administrative expenses		270,705	189,104
Research and development expenses		14,527	11,203
Finance expenses	22	159,937	168,793
Including: Interest expenses		182,470	198,406
Interest income		21,876	26,198
Add: Other income		-	4,503
Investment income/(loss)	23	28,824	(4,075)
Including: (Loss)/income from investments in associates and joint ventures		(450)	1,096
Loss from the derecognition of financial assets measured at amortised cost		(35,526)	(31,264)
Profit arising from changes in fair values		1,274	1,850
Credit impairment losses	24	(94,369)	(17,233)
Losses on asset impairment	25	(231,694)	(30,959)
Profit arising from disposal of assets		1,829	119
Operating profit		291,947	317,565
Add: Non-operating income		747	897
Less: Non-operating expenses		10,614	1,817
Total profit		282,080	316,645
Less: Income tax expenses	26	52,999	69,978
Net profit		229,081	246,667

The notes form an integral part of these financial statements

INTERIM CONSOLIDATED INCOME STATEMENT (UNAUDITED)

Six months ended 30 June 2021
RMB'000

	<i>Note VI</i>	Six months ended 30 June 2021 (Unaudited)	Six months ended 30 June 2020 (Unaudited)
Classified by continuity of operations			
Net profit from continuing operations		229,081	246,667
Classified by shareholdership			
Net profit attributable to shareholders of the parent		236,829	249,129
Minority interests		(7,748)	(2,462)
Other comprehensive income/(loss), net of tax		12,092	(32,200)
Other comprehensive income/(loss), net of tax, attributable to shareholder of parents		12,092	(32,200)
Other comprehensive income that cannot be reclassified to profit and loss			
Changes in the fair value of other equity investments		10,015	(33,785)
Other comprehensive income that will be reclassified to profit and loss			
Changes in the fair value of receivables financing		2,077	1,585
Total comprehensive income		241,173	214,467
Including:			
Total comprehensive income attributable to shareholders of the parent		248,921	216,929
Total comprehensive (losses) attributable to minority shareholders		(7,748)	(2,462)
Earnings per share (RMB/share)			
Basic and diluted earnings per share	27	0.13	0.14

The notes form an integral part of these financial statements

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

Six months ended 30 June 2021
RMB'000

	Attributable to shareholders of the parent							Minority interests	Total shareholders' equity
	Share capital	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Subtotal		
I. Opening balance of the period	1,761,384	1,661,232	141,182	-	500,912	2,181,233	6,245,943	194,136	6,440,079
II. Changes for the period									
(I) Total comprehensive income	-	-	12,092	-	-	236,829	248,921	(7,748)	241,173
(II) Capital contribution and reduction by shareholders									
1. Capital contribution by minority shareholders	-	-	-	-	-	-	-	5,000	5,000
(III) Profit distribution									
1. Distribution to shareholders	-	-	-	-	-	(246,594)	(246,594)	-	(246,594)
(IV) Special reserve									
1. Appropriation for the period	-	-	-	399,408	-	-	399,408	-	399,408
2. Use in the period	-	-	-	(399,408)	-	-	(399,408)	-	(399,408)
III. Closing balance of the period	1,761,384	1,661,232	153,274	-	500,912	2,171,468	6,248,270	191,388	6,439,658

The notes form an integral part of these financial statements

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

Six months ended 30 June 2020
RMB'000

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

The notes form an integral part of these financial statements

INTERIM CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

Six months ended 30 June 2021
RMB'000

	Note VI	Six months ended 30 June 2021 (Unaudited)	Six months ended 30 June 2020 (Unaudited)
I. CASH FLOWS USED IN OPERATING ACTIVITIES:			
Cash received from sales of goods or rendering of services		22,746,029	16,096,729
Other cash receipts related to operating activities		7,011,738	8,091,854
Subtotal of cash inflows from operating activities		29,757,767	24,188,583
Cash paid for goods and services		22,741,130	16,195,762
Cash paid to and for employees		456,268	412,688
Taxes paid		752,774	641,380
Other cash payments related to operating activities		7,678,562	8,068,967
Subtotal of cash outflows from operating activities		31,628,734	25,318,797
Net cash flows used in operating activities	28	(1,870,967)	(1,130,214)
II. CASH FLOWS USED IN INVESTING ACTIVITIES:			
Cash received from return of investment		-	7,886
Cash received from investment income		16,555	21,411
Net cash received from disposal of fixed assets and other long-term assets		13,351	495
Subtotal of cash inflows from investing activities		29,906	29,792
Cash paid for the purchase and construction of fixed assets, intangible assets and other long-term assets		132,399	503,365
Cash paid to acquire investments		10,929	3,539
Subtotal of cash outflows from investing activities		143,328	506,904
Net cash flows used in investing activities		(113,422)	(477,112)

The notes form an integral part of these financial statements

INTERIM CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

Six months ended 30 June 2021
RMB'000

	<i>Note VI</i>	Six months ended 30 June 2021 (Unaudited)	Six months ended 30 June 2020 (Unaudited)
III. CASH FLOWS FROM FINANCING ACTIVITIES:			
Cash received from capital contributions		5,000	10,460
Including: Cash received from minority shareholders' capital contributions to subsidiaries		5,000	10,460
Cash received from borrowings		2,666,568	1,886,873
Subtotal of cash inflows from financing activities		2,671,568	1,897,333
Cash paid for repayments of debts		2,695,416	1,619,448
Cash paid for distribution of dividends, profits or interest repayment		175,398	154,236
Other cash payments related to financing activities		46,600	67,435
Subtotal of cash outflows from financing activities		2,917,414	1,841,119
Net cash flows (used in)/from financing activities		(245,846)	56,214
IV. EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS			
		657	3,415
V. NET DECREASE IN CASH AND CASH EQUIVALENTS			
		(2,229,578)	(1,547,697)
Add: Opening balance of cash and cash equivalents		8,000,565	6,675,426
VI. CLOSING BALANCE OF CASH AND CASH EQUIVALENTS			
	29	5,770,987	5,127,729

The notes form an integral part of these financial statements

COMPANY BALANCE SHEET (UNAUDITED)

30 June 2021
RMB'000

Assets	30 June 2021 (Unaudited)	31 December 2020
Current assets		
Currency funds	4,764,172	6,664,897
Accounts receivable	4,717,195	4,355,725
Receivables financing	1,843,042	1,231,371
Prepayments	466,308	684,958
Other receivables	2,411,820	1,834,776
Inventories	195,511	221,683
Contract assets	29,493,903	31,202,348
Other current assets	64,197	57,567
Total current assets	<u>43,956,148</u>	<u>46,253,325</u>
Non-current assets		
Long-term equity investments	2,871,212	2,814,656
Other equity investments	782,461	769,108
Investment property	137,900	136,700
Fixed assets	618,913	138,389
Construction in progress	129,079	577,151
Right-of-use assets	11,327	11,580
Intangible assets	547	547
Deferred tax assets	247,159	171,828
Total non-current assets	<u>4,798,598</u>	<u>4,619,959</u>
Total assets	<u>48,754,746</u>	<u>50,873,284</u>

The notes form an integral part of these financial statements

COMPANY BALANCE SHEET (UNAUDITED)

30 June 2021
RMB'000

Liabilities and owners' equity	30 June 2021 (Unaudited)	31 December 2020
Current liabilities		
Short-term borrowings	1,720,186	1,704,483
Notes payable	419,035	219,719
Accounts payable	28,051,865	28,825,668
Contract liabilities	4,221,021	4,945,036
Employee benefits payable	166,506	141,230
Taxes payable	484,691	508,128
Other payables	4,174,272	4,749,745
Non-current liabilities due within one year	229,542	574,124
Other current liabilities	2,671,339	2,784,252
Total current liabilities	42,138,457	44,452,385
Non-current liabilities		
Long-term borrowings	698,356	475,990
Lease liabilities	10,639	11,638
Total non-current liabilities	708,995	487,628
Total liabilities	42,847,452	44,940,013
Owners' equity		
Share capital	1,761,384	1,761,384
Capital reserve	1,447,379	1,447,379
Other comprehensive income	157,296	146,817
Surplus reserves	292,919	292,919
Retained earnings	2,248,316	2,284,772
Total owners' equity	5,907,294	5,933,271
Total liabilities and owners' equity	48,754,746	50,873,284

The notes form an integral part of these financial statements

COMPANY INCOME STATEMENT (UNAUDITED)

Six months ended 30 June 2021
RMB'000

	Six months ended 30 June 2021 (Unaudited)	Six months ended 30 June 2020 (Unaudited)
Operating revenue	15,992,319	12,138,555
Less: Operating costs	15,185,235	11,531,687
Taxes and surcharges	34,280	24,152
Selling expenses	295	309
Administrative expenses	170,915	176,522
Research and development expenses	10,139	7,417
Finance expenses	69,102	104,999
Including: Interest expenses	81,255	142,345
Interest income	11,496	33,931
Add: Other income	-	3,200
Investment income/(loss)	31,721	(2,626)
Including: (Loss)/income from investments in associates and joint ventures	(140)	1,182
Loss from the derecognition of financial assets measured at amortised cost	(32,938)	(28,808)
Profit arising from changes in fair values	1,200	1,850
Credit impairment losses	(106,114)	12,483
Losses on asset impairment	(196,213)	(24,583)
Profit arising from disposal of assets	1,693	-
Operating profit	254,640	283,793
Add: Non-operating income	9,518	611
Less: Non-operating expenses	10,068	1,437
Total profit	254,090	282,967
Less: Income tax expenses	43,952	59,908
Net profit	210,138	223,059

COMPANY INCOME STATEMENT (UNAUDITED)

Six months ended 30 June 2021
RMB'000

	Six months ended 30 June 2021 (Unaudited)	Six months ended 30 June 2020 (Unaudited)
Other comprehensive income, net of tax	10,479	(32,650)
Other comprehensive income that cannot be reclassified to profit and loss		
Changes in the fair value of other equity investments	10,015	(33,785)
Other comprehensive income that will be reclassified to profit and loss		
Changes in the fair value of receivables financing	464	1,135
Total comprehensive income	220,617	190,409

The notes form an integral part of these financial statements

COMPANY STATEMENT OF CHANGES IN OWNERS' EQUITY (UNAUDITED)

Six months ended 30 June 2021
RMB'000

	Share capital	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Total shareholders' equity
I. Opening balance of the period	<u>1,761,384</u>	<u>1,447,379</u>	<u>146,817</u>	<u>-</u>	<u>292,919</u>	<u>2,284,772</u>	<u>5,933,271</u>
II. Changes for the period							
(I) Total comprehensive income	-	-	10,479	-	-	210,138	220,617
(II) Profit distribution							
1. Distribution to shareholders	-	-	-	-	-	(246,594)	(246,594)
(III) Special reserve							
1. Appropriation for the period	-	-	-	319,846	-	-	319,846
2. Use in the period	-	-	-	(319,846)	-	-	(319,846)
III. Closing balance of the period	<u>1,761,384</u>	<u>1,447,379</u>	<u>157,296</u>	<u>-</u>	<u>292,919</u>	<u>2,248,316</u>	<u>5,907,294</u>

The notes form an integral part of these financial statements

COMPANY STATEMENT OF CHANGES IN OWNERS' EQUITY (UNAUDITED)

Six months ended 30 June 2020
RMB'000

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

The notes form an integral part of these financial statements

COMPANY CASH FLOW STATEMENT (UNAUDITED)

Six months ended 30 June 2021
RMB'000

	Six months ended 30 June 2021 (Unaudited)	Six months ended 30 June 2020 (Unaudited)
I. CASH FLOWS USED IN OPERATING ACTIVITIES:		
Cash received from sales of goods or rendering of services	18,650,448	15,073,276
Other cash receipts related to operating activities	3,213,481	5,320,301
	<u>21,863,929</u>	<u>20,393,577</u>
Subtotal of cash inflows from operating activities		
Cash paid for goods and services	17,944,245	14,748,873
Cash paid to and for employees	317,495	328,122
Taxes paid	564,295	515,936
Other cash payments related to operating activities	4,547,133	5,289,109
	<u>23,373,168</u>	<u>20,882,040</u>
Subtotal of cash outflows from operating activities		
Net cash flows used in operating activities	<u>(1,509,239)</u>	<u>(488,463)</u>
II. CASH FLOWS USED IN INVESTING ACTIVITIES:		
Cash received from return of investment	11,495	33,932
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	11,822	8,739
	<u>23,317</u>	<u>42,671</u>
Subtotal of cash inflows from investing activities		
Cash paid for the purchase and construction of fixed assets, intangible assets and other long-term assets	62,800	438,244
Cash paid to acquire investments	56,696	81,499
	<u>119,496</u>	<u>519,743</u>
Subtotal of cash outflows from investing activities		
Net cash flows used in investing activities	<u>(96,179)</u>	<u>(477,072)</u>

The notes form an integral part of these financial statements

COMPANY CASH FLOW STATEMENT (UNAUDITED)

Six months ended 30 June 2021
RMB'000

	Six months ended 30 June 2021 (Unaudited)	Six months ended 30 June 2020 (Unaudited)
III. CASH FLOWS FROM FINANCING ACTIVITIES:		
Cash received from borrowings	<u>1,631,864</u>	<u>1,625,909</u>
Subtotal of cash inflows from financing activities	<u>1,631,864</u>	<u>1,625,909</u>
Cash paid for repayments of debts	<u>1,731,506</u>	<u>1,741,422</u>
Cash paid for distribution of dividends, profits or interest repayment	<u>74,779</u>	<u>98,536</u>
Other cash payments related to financing activities	<u>47,840</u>	<u>63,101</u>
Subtotal of cash outflows from financing activities	<u>1,854,125</u>	<u>1,903,059</u>
Net cash flows used in financing activities	<u>(222,261)</u>	<u>(277,150)</u>
IV. EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>657</u>	<u>3,415</u>
V. NET DECREASE IN CASH AND CASH EQUIVALENTS	<u>(1,827,022)</u>	<u>(1,239,270)</u>
Add: Opening balance of cash and cash equivalents	<u>6,399,993</u>	<u>5,361,461</u>
VI. CLOSING BALANCE OF CASH AND CASH EQUIVALENTS	<u>4,572,971</u>	<u>4,122,191</u>

The notes form an integral part of these financial statements

NOTES TO FINANCIAL STATEMENTS

Six months ended 30 June 2021
RMB'000

I. BASIC INFORMATION

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

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

I. BASIC INFORMATION (Continued)

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

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

NOTES TO FINANCIAL STATEMENTS

Six months ended 30 June 2021

RMB'000

II. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

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

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

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

Statement of compliance with Accounting Standards for Business Enterprises

The consolidated financial statements have been prepared in accordance with Accounting Standards for Business Enterprises, which truly and completely reflect the financial position of the Company and the Group as at 30 June 2021, as well as its operating results and cash flows for the six months ended 30 June 2021.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

The financial information included in the financial statements of the Company and the Group for the six months ended 30 June 2021 have been prepared based on the following significant accounting policies and estimates formulated in accordance with the Accounting Standards for Business Enterprises.

1. Accounting period

The accounting year of the Group is from 1 January to 31 December each year and the accounting period for these financial statements is from 1 January 2021 to 30 June 2021.

2. Functional currency

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

3. Business combinations

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

Business combinations under common control

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

3. Business combinations (Continued)

Business combinations under common control (Continued)

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

Business combinations not under common control

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

In a business combination not under common control, the acquirer measures the acquiree's identifiable assets, liabilities and contingent liabilities acquired in the business combination at their fair values on the acquisition date.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

3. Business combinations (Continued)

Business combinations not under common control (Continued)

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

4. Consolidated financial statements

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

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

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

4. Consolidated financial statements (Continued)

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

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

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

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

5. Joint arrangement classification and joint operation

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

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

6. Cash and cash equivalents

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

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

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

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

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

8. Financial instruments

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

The recognition and derecognition of financial instruments

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

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

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

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

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

8. Financial instruments (Continued)

Classification and measurement of financial assets

The financial assets of the Group are classified upon the initial recognition based on the business model of the Group's financial asset management and the characteristics of the financial assets' contractual cash flows: financial assets measured at fair value through profit or loss, financial assets measured at amortised cost or financial assets measured at fair value through other comprehensive income.

Financial assets are measured at fair value on initial recognition. However, if the accounts receivable or notes receivable arising from selling goods and the provision of services do not include significant financing components or do not consider financing components not exceeding one year, the financial assets shall be initially measured at the transaction price.

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

Subsequent measurement of financial assets depends on their classification:

Debt instrument investments measured at amortised cost

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

8. Financial instruments (Continued)

Classification and measurement of financial assets (Continued)

Debt instrument investments measured at fair value through other comprehensive income

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

Equity instrument investments measured at fair value through other comprehensive income

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

8. Financial instruments (Continued)

Classification and measurement of financial assets (Continued)

Financial assets at fair value through profit or loss

The financial assets other than those measured at amortised cost and at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. For such financial assets, fair value is used for subsequent measurement, and all changes in fair value are recognised in profit or loss for the current period.

Classification and measurement of financial liabilities

The financial liabilities of the Group are, on initial recognition, classified as financial liabilities at fair value through profit or loss and other financial liabilities. For financial liabilities measured at fair value through profit or loss, the related transaction expense is directly recognised in profit or loss, while the related transaction expense on other financial liabilities is included in the initial recognition amount.

Subsequent measurement of financial liabilities depends on their classification:

Other financial liabilities

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

8. Financial instruments (Continued)

Impairment of financial instruments

On the basis of expected credit losses, the Group performs the impairment treatment on financial assets measured at amortised cost, debt instrument investments at fair value through other comprehensive income, lease receivables, contract assets and financial guarantee contracts and confirms the loss provision.

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

For lease receivables, receivables and contract assets that contain significant financing components, the Group chooses to use a simplified measurement method to measure the loss provision based on the amount of lifetime expected credit losses.

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

8. Financial instruments (Continued)

Impairment of financial instruments (Continued)

The Group assesses expected credit losses on financial instruments individually and collectively. The Group assesses expected credit losses on receivables on the basis of ageing groups, taking into account the credit risk characteristics of different customers.

Please refer to Note VIII-3 for disclosures regarding the Group's criteria for determining a significant increase in credit risk, the definition of credit-impaired assets, and assumptions for measurement of expected credit losses.

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

Elimination of financial instruments

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

8. Financial instruments (Continued)

Financial guarantee contracts

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

Transfer of financial assets

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

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

9. Inventories

Inventories are initially measured at cost. Inventories comprise raw materials.

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

9. Inventories (Continued)

The net realisable value represents the amount derived by deducting the potential cost, estimated sale cost and relative taxes to the completion date from the estimated selling price of the inventory in daily activities. When determining the provision for the inventory impairment allowance, raw materials shall be considered individually.

10. Long-term equity investments

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

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

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

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

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

10. Long-term equity investments (Continued)

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

10. Long-term equity investments (Continued)

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

11. Investment property

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

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

11. Investment property (Continued)

The Group subsequently measures investment properties by adopting the fair value model. For investment properties subsequently measured using the fair value model, the accounting policy is selected based on the following:

- (1) There is an active market for property transactions in the location of the investment properties.
- (2) The Group is able to obtain market prices for similar or comparable properties and other relevant information from the property trading market in order to make a reasonable estimate of the fair value of the investment properties.

The Group does not depreciate or amortise investment properties and adjusts the carrying value of investment properties at the balance sheet date on the basis of their fair value, with the difference between the fair value and the original carrying value recorded in profit or loss.

12. Fixed assets

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

12. Fixed assets (Continued)

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

	Useful life	Net of estimated residual value rate	Annual depreciation rate
Buildings	10-30 years	3%	3.23%-9.70%
Machinery equipment	5-10 years	1-10%	9.00%-19.80%
Transportation vehicles	5-12 years	5%	7.92%-19.00%
Office equipment and others	3-10 years	1%-5%	9.50%-33.00%

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

13. Construction in progress

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

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

14. Intangible assets

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

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

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

	Useful life
Land use rights	50 years

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

14. Intangible assets (Continued)

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

15. Research and development expenditures

Internal research and development expenditures of the Group are classified as research expenditures and development expenditures. Research expenditure is recognised in profit or loss when it is incurred.

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

16. Impairment of assets

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

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

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

If such recoverable amount of the asset or asset group is less than its carrying amount, the carrying amount is reduced to its recoverable amount, the reduction amount is recognised in profit or loss for the current period and a provision for impairment losses of such assets shall be made.

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

17. Employee benefits

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

Short-term remuneration

Short-term remuneration includes salaries, bonuses, allowances and subsidies, employee benefits, medical insurance, work-related injury insurance, maternity insurance, housing provident fund, trade union and employee education expenses, short-term paid leave, etc. The Group recognises the actual short-term remuneration incurred as a liability in the accounting period in which the employees render services and recognises it in profit or loss for the period or in the cost of the related assets. In particular, non-monetary benefits are measured at fair value.

Post-employment benefits (defined contribution plans)

The Group's employees participate in endowment insurance and unemployment insurance managed by local government and corresponding expenses are recognised in costs of related assets or profit or loss for the current period.

Termination benefits

Where the Group provides termination benefits to employees, a liability for employee compensation arising from termination benefits is recognised in profit or loss at the earliest of: when the enterprise is unable to unilaterally withdraw the termination benefits provided as a result of an employment termination plan or proposed redundancy; and when the enterprise recognises costs or expenses associated with a restructuring involving the payment of termination benefits.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

18. Provisions

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

- (1) the obligation is a present obligation of the Group;
- (2) it is probable that an outflow of economic benefits from the Group will be required to settle the obligation;
- (3) the amount of the obligation can be measured reliably.

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

19. Revenue from contracts with customers

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

19. Revenue from contracts with customers (Continued)

Construction contracts

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

Contracts for sales of goods

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

19. Revenue from contracts with customers (Continued)

Significant financing components

For the existence of significant financing components in the contract, the Group determines the transaction price based on the amount payable immediately by cash upon the receipt of control of goods by the customer, and uses the discount rate which discounts the nominal amount of the contract consideration to the discounted price of the goods or services to amortise the difference between the determined transaction price and the consideration amount of the contract commitment using the effective interest method during the contract period. Where it is expected that the intervals between the customer's control over the goods and the payment by the customer will not exceed one year, the Group does not consider the significant financing components in the contract.

Quality assurance obligation

The Group provides quality assurance for the assets constructed pursuant to contractual agreements and laws and regulations. The Group performs accounting treatments in accordance with Note III-18 with a view to providing guarantees to the customers that the assets constructed meet the established quality standards. In addition to providing guarantees to the customers that the assets constructed meet the established quality standards, the Group provided the customers with a separate quality assurance for services, regarding it as a separate performance obligation. Based on the relative proportion of the individual selling prices of providing quality assurance for assets constructed and services, part of the transaction price is allocated to quality assurance of services and revenue is recognised when the customers take control of the services. In assessing whether quality assurance is provided as a separate service other than providing guarantees to the customers that the assets constructed meet the established quality standards, the Group considers factors such as whether the quality assurance is a statutory requirement, the term of quality assurance and nature of the Group's commitment to perform its obligations.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

19. Revenue from contracts with customers (Continued)

Principal/agent

The Group determines whether the Group is a principal or an agent when engaging in a transaction based on whether it has control over the goods or services before transferring them to the customer. If the Group is able to control the goods or services before transferring them to the customer, the Group is the principal and recognises revenue based on the total consideration received or receivable; otherwise, the Group is the agent and recognises revenue based on the amount of the commission or fee it expects to be entitled to receive, which should be determined as the net amount of the total consideration received or receivable less amounts payable to other related parties, or based on the predetermined amount or proportion of the commission.

Changes of a contract

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

- (1) If the contract change involves adding a clearly distinguishable construction service and contract price and the new contract price reflects the separate selling price of the new construction service, the Group treats the contract change as a separate contract for accounting treatment;
- (2) If the contract change does not fall within the above-mentioned situation (1), and the construction service transferred and not transferred can be clearly distinguished on the contract change date, the Group will regard it as the original contract termination, and at the same time, the non-compliance part of the original contract and the contract change part are merged into a new contract for accounting treatment;
- (3) If the contract change does not fall within the above-mentioned situation (1), and there is no clear distinction between the construction service transferred and not transferred on the contract change date, the Group will treat the changed part of the contract as part of the original contract for accounting treatment. The resulting impact on the recognised revenue is adjusted for current income on the contract change date.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

19. Revenue from contracts with customers (Continued)

Concession contract (“BOT Contract”)

The concession activities under the BOT contract usually include constructions, operations, and transfers. During the construction phase, the contract revenue for construction services is recognised in accordance with the above accounting policies of the construction contract. Revenue from construction services is measured based on the consideration received or receivable, and contract assets or intangible assets are recognised at the time of revenue recognition and the significant financing components of the contractual arrangements are accounted for.

The Group recognises contract assets while recognising the revenue to the extent that it has an unconditional contractual right to receive a definite amount of cash or another financial asset from the grantor within a certain period after the completion of construction. When the Group obtains the unconditional right to receive the consideration, the contract assets are transferred to financial assets for accounting purposes.

Where the contract provides that the Group has the right to receive a fee from the recipient of service during the operation period after the completion of construction, but the amount of the fee is uncertain, the intangible asset is recognised at the time of revenue recognition if such right does not constitute an unconditional right to receive a definite amount of cash or another financial asset. Upon completion of the related infrastructure project, intangible assets are amortised on a straight-line basis over the concession period.

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

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

19. Revenue from contracts with customers (Continued)

Build and transfer contract (“BT Contract”)

The activities under the BT contract usually include building and transfer. For the construction services provided by the Group, during the construction phase, the relevant construction service contract revenue is recognised in accordance with the accounting policies of the construction contract mentioned above. Contract assets are recognised at the time of revenue recognition and the significant financing components of the contractual arrangements are accounted for. When the unconditional right to receive the consideration is available, such contract assets are transferred to financial assets and are eliminated upon the receipt of payment from the owner.

20. Contract assets and contract liabilities

The Group presents contract assets or contract liabilities in the balance sheet based on the relationship between the Group's fulfilment of performance obligations and customers' payment. The Group presents contract assets and contract liabilities under the same contract as the net amount after they offset with each other.

Contract assets

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

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

Contract liabilities

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

21. Government grants

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

22. Income tax

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

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

22. Income tax (Continued)

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

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

- (1) where the taxable temporary differences arise from the initial recognition of goodwill, or the initial recognition of an asset or liability in a transaction which contains both of the following characteristics: the transaction is not a business combination; and at the time of the transaction, it affects neither accounting profit nor taxable profit or deductible loss.
- (2) in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not be reversed in the foreseeable future.

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

- (1) where the deductible temporary differences arise from a transaction that is not a business combination and, at the time of the transaction, neither the accounting profit nor taxable profit or loss is affected;
- (2) in respect of the deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, a deferred tax asset is only recognised to the extent that it is probable that the temporary differences will be reversed in the foreseeable future and taxable profit will be available against which the deductible temporary differences can be utilised in the future.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

22. Income tax (Continued)

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

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

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

23. Leases

Identification of leases

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

Identification of separate leases

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

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

Split for the lease and non-lease components

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

23. Leases (Continued)

Assessment of a lease term

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

As lessee

Right-of-use assets

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

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

23. Leases (Continued)

As lessee (Continued)

Right-of-use assets (Continued)

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

Lease liabilities

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

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

23. Leases (Continued)

As lessee (Continued)

Short-term leases and low-value asset leases

On the commencement date of the lease term, the Group shall recognise leases with a lease term of less than 12 months and not including a purchase option as a short-term lease; single leases with a value of less than RMB30,000 when being a new asset are recognised as leases of low-value assets. If the Group subleases or expects to sublease the leased assets, the original leases shall not be recognised as leases of low-value assets. The Group does not recognise the right-of-use assets and lease liabilities for short-term leases and leases of low-value assets. During different periods in the lease terms, short-term leases and leases of low-value assets shall be recognised in the related asset cost or current profit or loss on a straight-line basis.

As lessor

At the lease commencement date, leases that substantially transfer almost all the risks and rewards related to the ownership of leased assets are classified as finance leases, and all other leases are classified as operating leases. When the Group is an intermediate lessor, the sublease is classified as a finance lease or an operating lease by reference to the right-of-use assets arising from the head lease.

As the lessor of an operating lease

Rental income under an operating lease is recognised by a lessor on a straight-line basis over the lease term through profit or loss for the current period. The variable lease payments not included in the measurement of the lease liability shall be recognised in profit or loss in the period in which it occurs.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

24. Discontinued operation

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

- (1) the component represents an independent major line of business or a major independent geographical area of operation;
- (2) the component is part of a plan for the contemplated disposal of an independent major line of business or a major independent geographical area of operation;
- (3) the component is a subsidiary acquired exclusively for the purpose of resale.

25. Profit distribution

Cash dividends of the Company are recognised as a liability when they are approved at the general meeting.

26. Safety production expenses

The Group provides for safety production expenses in accordance with the requirements of the Circular on the Issuance of the Administrative Measures for the Appropriation and Use of Enterprise Safety Production Expenses by the Ministry of Finance and the State Administration of Work Safety (Cai Qi [2012] No. 16) and the Administrative Measures for the Appropriation and Use of Enterprise Safety Production Expenses.

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

27. Fair value measurement

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

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

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

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

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

28. Significant accounting judgements and estimates

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

Judgements

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

Operating leases - as lessor

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

Method for determining the performance progress of a construction contract

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

28. Significant accounting judgements and estimates (Continued)

Judgements (Continued)

Business model

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

Contractual cash flow characteristics

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

Classification of investment properties and self occupied properties

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

28. Significant accounting judgements and estimates (Continued)

Judgements (Continued)

Whether the contract is a lease or contains a lease

The Group has entered into equipment lease agreements for certain construction projects. The Group considers that there is no identified asset or asset supplier with substantial right to replace relevant equipment under certain lease agreements and therefore, the lease agreements do not contain leases and the Group treats them as receipt of services.

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

The Group holds 15%, 5% and 11% equity interests in Jianwei County Yizongliangheng Project Management Company Limited (“Yizongliangheng”), Zhongyuan Environmental (Neihuang) Liangli Ecological Construction Project Management Company Limited (“Zhongyuan Environmental”) and Bozhou Xiangju Construction Company Limited (“Bozhou Xiangju”), respectively. The Directors of the Group considered that despite the less than 20% shareholding in each of Yizongliangheng, Zhongyuan Environmental and Bozhou Xiangju, the Group appointed three directors, one director and one director in each of Yizongliangheng, Zhongyuan Environmental and Bozhou Xiangju, respectively, according to the requirements of their respective articles of association, and can participate in the decision making of financial and operational policies. As such, the Group may exercise significant influence over Yizongliangheng, Zhongyuan Environmental and Bozhou Xiangju, and the Group’s equity investments in these companies are accounted for as investments in associates.

Classification of business of infrastructure construction under the BOT model

The concession right asset obtained by the Group through participation in the construction of a wastewater treatment plant under the Build-Operate-Transfer (“BOT”) model is accounted for as a financial asset, and is recognised as financial asset according to the contract provisions in relation to the right to collect payment upon completion of construction of the infrastructure, and such concession right asset is accounted for as contract asset.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

28. Significant accounting judgements and estimates (Continued)

Estimation uncertainty

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

Impairment of financial instruments and contract assets

The Group uses the expected credit loss model to assess the impairment of financial instruments and contract assets. The application of the expected credit loss model requires significant judgements and estimations, and all reasonable and evidenced information, including forward-looking information. In making such judgements and estimations, the Group infers the expected changes in the debtor's credit risk based on the historical repayment data in combination with economic policies, macroeconomic indicators, and industry risks. Different estimates may affect the provision for impairment losses. The provision for impairment losses may not be equal to the actual amount of impairment losses in the future.

Fair value of unlisted equity investments

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

28. Significant accounting judgements and estimates (Continued)

Estimation uncertainty (Continued)

Deferred income tax assets

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

Construction and service contracts

The recognition of revenue and costs for construction and service contracts requires management to make relevant estimates. If losses are expected to be incurred on construction and service contracts, such losses are recognised as current costs. The Group's management anticipates potential losses based on the budget for construction and service contracts. The nature of the infrastructure and design business results in the contract award date and project completion date often falling within different accounting periods. As contracts progress, the Group reviews and revises the estimated total contract revenue and estimated total contract cost on an ongoing basis.

The Group monitors the payment progress of the owners on an ongoing basis in accordance with the terms of the contracts and regularly assesses the creditworthiness of the owners. If circumstances indicate that it is probable that the owner will default in the payment of all or part of the contract price, or that the owner will not be able to meet its obligations under the terms of the contract, the Group will reassess the impact of the matter on the consolidated financial statements and may revise the amount of the estimated loss on the contract. This revision will be reflected in the Group's financial statements in the period in which the Group reassesses and is required to revise the estimated loss on the contract.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

28. Significant accounting judgements and estimates (Continued)

Estimation uncertainty (Continued)

Estimation of fair value of investment properties

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

Incremental borrowing rate of the lessee

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

Contingent liabilities for litigation and claims

The Group has been involved in a number of litigations and claims in the past in relation to certain construction projects. Management has assessed the contingent liabilities arising from such litigations and claims with reference to the advice of legal advisers. The Group has made provision for possible liabilities based on management's best estimates and judgement.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

28. Significant accounting judgements and estimates (Continued)

Estimation uncertainty (Continued)

Depreciation of fixed assets

Depreciation of the Group's fixed assets is provided on a straight-line basis over their estimated useful lives, using the recorded value of the assets less their estimated net residual value. The Group periodically assesses the estimated useful lives and estimated net residual values to ensure that the depreciation methods and rates are consistent with the expected pattern of economic benefits to be realised from the fixed assets. The Group's estimates of the estimated useful lives and net residual values of fixed assets are based on historical experience and take into account expected technological updates. When there is a significant change in the estimated useful life and estimated net residual value, depreciation expense may need to be adjusted accordingly and therefore estimates based on current experience may differ from the actual results in the following year, which may result in significant adjustments to the carrying value and accumulated depreciation amounts of fixed assets.

29. Changes in accounting policies and estimates

The Group has no significant changes in accounting policies and accounting estimates for the six months ended 30 June 2021.

NOTES TO FINANCIAL STATEMENTS

Six months ended 30 June 2021

RMB'000

IV. TAXATION

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

Value-added tax (VAT)	-	The output tax of general taxpayers shall be levied at a tax rate of 6%, 9% or 13% on the taxable income, and the VAT shall be levied after deducting the deductible input tax for the current period. The VAT of small scale taxpayers shall be levied at a tax rate of 3% on the taxable income.
City maintenance and construction tax	-	It is levied at 7%, 5% and 1% on the turnover taxes paid.
Educational surcharge	-	It is levied at 3% on the turnover taxes paid.
Local educational surcharge	-	It is levied at 2% on the turnover taxes paid.
Enterprise income tax (EIT)	-	It is levied at 25% on the taxable income.

V. SCOPE OF CONSOLIDATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

1. Information about subsidiaries

Particulars of the Company's subsidiaries are as follows:

	Principal place of business/ place of registration	Nature of business	Registered capital	Shareholding (%)		Proportion of votes (%)	Notes
				Direct	Indirect		
HCG Tianchen Construction Engineering Co., Ltd.	PRC/PRC	Infrastructure construction	400,000	100	-	100	Note 1
Bozhou Qihang Transportation Construction Co., Ltd.	PRC/PRC	Infrastructure construction	315,787	90	-	90	
Haiyang Longhai Automobile Innovation Park Development Co., Ltd.	PRC/PRC	Automobile technology development and sales	300,000	90	-	90	
Hengshui Jizhou District Jiuchen Construction Development Co., Ltd.	PRC/PRC	Infrastructure construction	220,000	80	-	80	
Tibet Jiming Construction Co., Ltd.	PRC/PRC	Infrastructure construction	200,000	100	-	100	
HCG Installment Engineering Co., Ltd.	PRC/PRC	Infrastructure construction	180,000	61	39	100	
Huainan Fengrui Infrastructure Construction Co., Ltd.	PRC/PRC	Infrastructure construction	161,651	80	-	80	
HCG Henan Zhongyuan Engineering Co., Ltd.	PRC/PRC	Infrastructure construction	100,000	100	-	100	
Hebei Construction Group Garden Engineering Co., Ltd.	PRC/PRC	Garden engineering	108,000	100	-	100	
HCG Zhuocheng Road and Bridge Engineering Co., Ltd.	PRC/PRC	Infrastructure construction	105,000	100	-	100	
Hebei Construction Group Decoration Engineering Co., Ltd.	PRC/PRC	Infrastructure construction	101,000	100	-	100	
Shaanxi Tianqin Jianan Engineering Co., Ltd.	PRC/PRC	Infrastructure construction	100,000	100	-	100	
Dangshan Soaring General Aviation Industry Development Co., Ltd.	PRC/PRC	Aviation industry	100,000	80	-	80	
Dacheng County Zhongzhou Water Supply Co., Ltd.	PRC/PRC	Production and supply of running water	100,000	-	100	100	
Anguo Jiuchen Construction Development Co., Ltd.	PRC/PRC	Infrastructure construction	90,157	-	90	90	
Shandong Juhe Agricultural Service Development Co., Ltd.	PRC/PRC	Agricultural sale	76,160	89	-	89	
Baoding Zhongcheng Investment Management Co., Ltd.	PRC/PRC	Investment management	69,000	100	-	100	
Zhongrun Lvgu Ecological Development Co., Ltd.	PRC/PRC	Urban greening	60,000	-	51	51	

NOTES TO FINANCIAL STATEMENTS

Six months ended 30 June 2021
RMB'000

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

1. Information about subsidiaries (Continued)

Particulars of the Company's subsidiaries are as follows: (Continued)

	Principal place of business/ place of registration	Nature of business	Registered capital	Shareholding (%)		Proportion of votes (%)	Notes
				Direct	Indirect		
Hebei Tongchuang Liantai Hospital Management Co., Ltd.	PRC/PRC	Hospital management	60,000	90	-	90	
Hebei Lvjian Investment Company	PRC/PRC	Investment management	60,000	92	8	100	
Baoding Zhongze Water Supply Co., Ltd.	PRC/PRC	Water production and supply	50,000	75	-	75	
HCG Jimu Door and Window Co., Ltd.	PRC/PRC	Curtain wall engineering	50,000	-	100	100	
HCG Tianding Construction and Installation Engineering Co., Ltd.	PRC/PRC	Infrastructure construction	50,000	100	-	100	
HCG Tianpeng Construction Engineering Co., Ltd.	PRC/PRC	Infrastructure construction	50,000	100	-	100	
HCG Steel Structure Engineering Co., Ltd.	PRC/PRC	Infrastructure construction	50,000	100	-	100	
HCG Tiansheng Construction Engineering Co., Ltd.	PRC/PRC	Infrastructure construction	50,000	100	-	100	
HCG Tianming Construction Engineering Co., Ltd.	PRC/PRC	Infrastructure construction	50,000	100	-	100	
Hebei Zhongbao New Building Material Manufacturing Co., Ltd.	PRC/PRC	Sales of construction material	50,000	100	-	100	
Tianjin Tianzheng Construction Engineering Co., Ltd.	PRC/PRC	Infrastructure construction	50,000	100	-	100	
Hebei Construction Group Zhengyuan Concrete Co., Ltd.	PRC/PRC	Concrete production and sale	50,000	100	-	100	
HCG Tianchu Construction Engineering Co., Ltd.	PRC/PRC	Infrastructure construction	50,000	100	-	100	
Hebei Construction Group Infrastructure Construction Co., Ltd.	PRC/PRC	Infrastructure construction	50,000	100	-	100	
Yuncaai Network Technology Co., Ltd.	PRC/PRC	Internet development and sale	50,000	80	-	80	
Hebei Xiong'an Dayang Environmental Technology Co., Ltd.	PRC/PRC	Water treatment	50,000	70	-	70	
HCG Smart Energy Co., Ltd.	PRC/PRC	Development of new energy technology	50,000	51	1	52	
Shenzhen Zhongru Investment Co., Ltd.	PRC/PRC	Investment advisory and consultation	50,000	100	-	100	

V. SCOPE OF CONSOLIDATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**1. Information about subsidiaries** (Continued)

Particulars of the Company's subsidiaries are as follows: (Continued)

	Principal place of business/ place of registration	Nature of business	Registered capital	Shareholding (%)		Proportion of votes (%)	Notes
				Direct	Indirect		
Sichuan Tianchuan Construction Engineering Co., Ltd.	PRC/PRC	Infrastructure construction	50,000	100	-	100	
Beijing Tianjia Construction Engineering Co., Ltd.	PRC/PRC	Infrastructure construction	50,000	100	-	100	
Hebei Shenning Construction Engineering Co., Ltd.	PRC/PRC	Infrastructure construction	31,500	100	-	100	
Hebei Haikuo Environmental Technology Co., Ltd.	PRC/PRC	Environmental engineering	30,000	100	-	100	
HCG Jianyuan Concrete Co., Ltd.	PRC/PRC	Concrete sale	25,000	-	100	100	
Baoding Shitongyuan Electricity Sale Co., Ltd.	PRC/PRC	Electricity sales service	21,000	-	52	52	
Hebei Tuowei Investment Co., Ltd.	PRC/PRC	Investment and management of new energy industry	21,000	-	100	100	
Hebei Tuo'an Electrical Installation Co., Ltd.	PRC/PRC	Electrical equipment installation and sales	21,000	-	51	51	
Hebei Zhiping Construction Equipment Leasing Co., Ltd.	PRC/PRC	Lease of machinery equipment	16,060	100	-	100	
Rongcheng County Xinrong City Development Co., Ltd.	PRC/PRC	Urban greening	15,000	80	-	80	
Fuping Fuyuan Concrete Co., Ltd.	PRC/PRC	Concrete production and sale	10,000	100	-	100	
Hebei Xingxi Corporate Management Co., Ltd.	PRC/PRC	Advisory service	10,000	100	-	100	
Inner Mongolia Xinglifeng Construction Management Co., Ltd.	PRC/PRC	Infrastructure construction	10,000	-	83	83	
Anping County Xinjian Construction Engineering Co., Ltd.	PRC/PRC	Infrastructure construction	10,000	-	80	80	
Shunping County Huanzhou Greening Co., Ltd.	PRC/PRC	Garden engineering	6,600	-	80	80	
Zhuhai Zhongwei Construction Engineering Co., Ltd.	PRC/PRC	Infrastructure construction	6,000	100	-	100	
HCG Jilin Engineering Co., Ltd.	PRC/PRC	Infrastructure construction	6,000	100	-	100	
Hebei Zhongru Software Technology Co., Ltd.	PRC/PRC	Construction software development and sale	5,500	70	-	70	

NOTES TO FINANCIAL STATEMENTS

Six months ended 30 June 2021

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

1. Information about subsidiaries (Continued)

Particulars of the Company's subsidiaries are as follows: (Continued)

	Principal place of business/ place of registration	Nature of business	Registered capital	Shareholding (%)		Proportion of votes (%)	Notes
				Direct	Indirect		
Rongcheng County Rongyu City Garden Engineering Co., Ltd.	PRC/PRC	Garden engineering	5,000	-	80	80	
Hebei Zhuocheng Engineering Inspection Co., Ltd.	PRC/PRC	Construction project quality inspection	3,000	100	-	100	
Hebei Construction Group Wuhu Baojian Construction Co., Ltd.	PRC/PRC	Infrastructure construction	1,000	100	-	100	
Dingzhou Tiande Environmental Science and Technology Co., Ltd.	PRC/PRC	Wastewater treatment	1,000	-	100	100	
Baoding Yungong Trading Co., Ltd.	PRC/PRC	Comprehensive sales	100	-	100	100	Note 2
Dacheng County Zhongyu Water Supply Co., Ltd.	PRC/PRC	Running water supply	88,480	20	80	100	Note 3

Notes:

Note 1: During the Reporting Period, Hebei Construction Group Corporation Limited acquired 13% equity interest in HCG Tianchen Construction Engineering Co., Ltd. held by Baoding Zhongcheng Investment Management Co., Ltd. and therefore directly held 100% equity interest in HCG Tianchen Construction Engineering Co., Ltd.

Note 2: During the Reporting Period, Hebei Construction Group Corporation Limited made investment to establish Baoding Yungong Trading Co., Ltd. and therefore directly held 100% equity interest in Baoding Yungong Trading Co., Ltd.

Note 3: During the Reporting Period, Hebei Construction Group Corporation Limited made investment to establish Dacheng County Zhongyu Water Supply Co., Ltd. with Dacheng County Zhongzhou Water Supply Co., Ltd. and therefore directly held 20% equity interest and indirectly held 80% equity interest in Dacheng County Zhongyu Water Supply Co., Ltd.

VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS**1. Currency funds**

	30 June 2021 (Unaudited)	31 December 2020
Cash on hand	5,385	9,540
Bank deposits	4,752,405	6,984,518
Other currency funds	1,458,582	1,459,213
	6,216,372	8,453,271

As at 30 June 2021, the Group's currency funds with restricted ownership amounted to RMB445,385,000 (31 December 2020: RMB452,706,000). Please refer to Note VI-13.

2. Accounts receivable

The accounts receivable of the Group are mainly receivables for construction contracting business. The credit period of accounts receivable is generally one to three months. All accounts receivable are non-interest-bearing.

NOTES TO FINANCIAL STATEMENTS

Six months ended 30 June 2021
RMB'000

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

2. Accounts receivable (Continued)

An ageing analysis of accounts receivable is as follows:

	30 June 2021 (Unaudited)	31 December 2020
Within 1 year	4,800,612	4,061,800
1 to 2 years	834,521	1,039,175
2 to 3 years	777,793	303,467
Over 3 years	452,973	686,242
	6,865,899	6,090,684
Less: Bad debt allowance on accounts receivable	726,597	663,649
	6,139,302	5,427,035

Except for project quality deposits receivable, the ageing of accounts receivable was calculated since the invoice date. The ageing of the project quality deposits receivable is calculated from the later of the invoice date and the expiry of the warranty period.

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

	Opening balance	Accrual during the period/year	Recovery or reversal during the period/year	Closing balance
Six months ended 30 June 2021 (Unaudited)	663,649	211,045	(148,097)	726,597
2020	735,091	366,798	(438,240)	663,649

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

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

	Six months ended 30 June 2021 (Unaudited)			
	Book balance		Provision for impairment	
	Amount	Proportion (%)	Amount	Provision ratio (%)
Individual provision for bad debts	637,431	9	497,543	78
Provision for impairment according to credit risk portfolio	6,228,468	91	229,054	4
	6,865,899	100	726,597	
	31 December 2020			
	Book balance		Provision for impairment	
	Amount	Proportion (%)	Amount	Provision ratio (%)
Individual provision for bad debts	641,643	11	457,781	71
Provision for impairment according to credit risk portfolio	5,449,041	89	205,868	4
	6,090,684	100	663,649	

NOTES TO FINANCIAL STATEMENTS

Six months ended 30 June 2021
RMB'000

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

2. Accounts receivable (Continued)

The Group's accounts receivable with bad debt provision using the ageing analysis method are as follows:

	30 June 2021 (Unaudited)			31 December 2020		
	Closing balance of estimated default	Expected credit loss rate (%)	Lifetime expected credit loss	Closing balance of estimated default	Expected credit loss rate (%)	Lifetime expected credit loss
Within 1 year	4,713,206	0.81	37,754	4,050,630	0.59	23,880
1 to 2 years	988,754	4.07	40,239	1,021,420	3.18	32,473
2 to 3 years	386,487	16.05	62,045	171,240	15.53	26,592
3 to 4 years	68,265	43.42	29,644	95,202	39.68	37,777
4 to 5 years	44,046	71.88	31,662	57,244	55.62	31,841
Over 5 years	27,710	100.00	27,710	53,305	100	53,305
	6,228,468		229,054	5,449,041		205,868

As at 30 June 2021, the Group's accounts receivable with restricted ownership amounted to RMB102,569,000 (31 December 2020: RMB282,960,000). Please refer to Note VI-13.

VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**3. Receivables financing**

	30 June 2021 (Unaudited)	31 December 2020
Bank acceptance bill	280,820	228,877
Commercial acceptance bill	2,046,440	1,470,554
	2,327,260	1,699,431

As at 30 June 2021, the Group's receivables financing with restricted ownership amounted to RMB32,668,000 (31 December 2020: RMB116,805,000). Please refer to Note VI-13 for details.

4. Prepayments

The ageing analysis of prepayments is as follows:

	30 June 2021 (Unaudited)		31 December 2020	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	365,647	64	662,741	80
1 to 2 years	188,503	34	152,481	19
2 to 3 years	3,357	1	2,202	0
Over 3 years	4,750	1	4,788	1
	562,257	100	822,212	100

NOTES TO FINANCIAL STATEMENTS

Six months ended 30 June 2021
RMB'000

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

4. Prepayments (Continued)

The breakdown of prepayments by nature is as follows:

	30 June 2021 (Unaudited)	31 December 2020
Prepayments for subcontracting works	381,121	618,599
Prepayments for materials	181,136	203,613
	562,257	822,212

5. Other receivables

	30 June 2021 (Unaudited)	31 December 2020
Dividend receivable	64,800	-
Other receivables	2,666,463	2,437,425
	2,731,263	2,437,425

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

The ageing analysis of other receivables is as follows:

	30 June 2021 (Unaudited)	31 December 2020
Not overdue and overdue for no more than 1 year	2,696,878	2,443,946
Overdue for 1 to 2 years	74,521	36,362
Overdue for 2 to 3 years	22,311	20,916
Overdue for over 3 years	32,013	64,040
	2,825,723	2,565,264
Less: Bad debt allowance on other receivables	159,260	127,839
	2,666,463	2,437,425

The breakdown of other receivables by nature is as follows:

	30 June 2021 (Unaudited)	31 December 2020
Project advances	930,361	873,521
Performance bond	695,452	618,881
Construction deposit	375,496	204,289
Tender deposit	324,918	263,528
Security deposit	268,073	354,568
Other deposit	154,492	174,364
Others	76,931	76,113
	2,825,723	2,565,264

NOTES TO FINANCIAL STATEMENTS

Six months ended 30 June 2021
RMB'000

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

5. Other receivables (Continued)

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

For the six months ended 30 June 2021 (Unaudited)

	Stage 1 Expected credit losses in the next 12 months	Stage 2 Lifetime expected credit losses	Stage 3 Credit impaired financial assets (Lifetime expected credit losses)	Total
Opening balance	13,096	7,522	107,221	127,839
Opening balance of the period	13,096	7,522	107,221	127,839
- Move to stage 2	(398)	398	-	-
- Move to stage 3	-	(640)	640	-
Provision during the period	9,232	8,887	19,497	37,616
Reversal during the period	(2,895)	(2,350)	(950)	(6,195)
Closing balance	19,035	13,817	126,408	159,260

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

5. Other receivables (Continued)

2020

	Stage 1 Expected credit losses in the next 12 months	Stage 2 Lifetime expected credit losses	Stage 3 Credit impaired financial assets (Lifetime expected credit losses)	Total
Opening balance	1,478	26,761	92,281	120,520
Opening balance of the year	1,478	26,761	92,281	120,520
- Move to stage 2	(180)	180	-	-
- Move to stage 3	-	(26,336)	26,336	-
Provision during the year	12,113	7,355	200	19,668
Reversal during the year	(315)	(438)	(11,596)	(12,349)
Closing balance	<u>13,096</u>	<u>7,522</u>	<u>107,221</u>	<u>127,839</u>

NOTES TO FINANCIAL STATEMENTS

Six months ended 30 June 2021
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VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. Other receivables (Continued)

Changes in the book balance of other receivables that affected the change in loss allowance are as follows:

For the six months ended 30 June 2021 (Unaudited)

	Stage 1 Expected credit losses in the next 12 months	Stage 2 Lifetime expected credit losses	Stage 3 Credit impaired financial assets (Lifetime expected credit losses)	Total
Opening balance	2,221,428	236,615	107,221	2,565,264
Opening balance of the period	2,221,428	236,615	107,221	2,565,264
- Move to stage 2	(67,414)	67,414	-	-
- Move to stage 3	-	(20,137)	20,137	-
Changes during the period	206,013	55,396	(950)	260,459
Closing balance	2,360,027	339,288	126,408	2,825,723

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

5. Other receivables (Continued)

2020

	Stage 1 Expected credit losses in the next 12 months	Stage 2 Lifetime expected credit losses	Stage 3 Credit impaired financial assets (Lifetime expected credit losses)	Total
Opening balance	2,464,501	32,737	92,281	2,589,519
Opening balance of the year	2,464,501	32,737	92,281	2,589,519
- Move to stage 2	(299,498)	299,498	-	-
- Move to stage 3	-	(26,536)	26,536	-
Changes during the year	<u>56,425</u>	<u>(69,084)</u>	<u>(11,596)</u>	<u>(24,255)</u>
Closing balance	<u>2,221,428</u>	<u>236,615</u>	<u>107,221</u>	<u>2,565,264</u>

As at 30 June 2021, the Group made a provision for bad debts of RMB37,616,000 (2020: RMB19,668,000) for other receivables, and recovered or reversed a bad debt provision of RMB6,195,000 (2020: RMB12,349,000).

NOTES TO FINANCIAL STATEMENTS

Six months ended 30 June 2021
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VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6. Contract assets

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

	30 June 2021 (Unaudited)			31 December 2020		
	Book balance	Impairment provision	Carrying amount	Book balance	Impairment provision	Carrying amount
Completed but unsettled	39,598,296	(716,921)	38,881,375	41,008,817	(485,227)	40,523,590
Including:						
Non-current assets	2,285,984	(124,384)	2,161,600	2,131,282	(110,867)	2,020,415

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

	Opening balance	Charge for the period/ year	Written back during the period/ year	Closing balance
Six months ended 30 June 2021 (Unaudited)	485,227	283,025	(51,331)	716,921
2020	160,030	405,726	(80,529)	485,227

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

	30 June 2021 (Unaudited)			
	Book balance		Impairment provision	
	Amount	Proportion (%)	Amount	Provision ratio (%)
Individual impairment provision	1,470,360	4	409,948	28
Provision for impairment according to credit risk portfolio	38,127,936	96	306,973	0.81
	39,598,296	100	716,921	
	31 December 2020			
	Book balance		Impairment provision	
	Amount	Proportion (%)	Amount	Provision ratio (%)
Individual impairment provision	967,263	2	249,936	26
Provision for impairment according to credit risk portfolio	40,041,554	98	235,291	0.59
	41,008,817	100	485,227	

As at 30 June 2021, the Group's related construction business has accelerated the settlement process with the customers, resulting in a decrease in the book balance of contract assets.

As at 30 June 2021, the Group's contract assets with restricted ownership amounted to RMB3,404,767,000 (31 December 2020: RMB2,472,966,000). For details, please refer to Note VI-13.

NOTES TO FINANCIAL STATEMENTS

Six months ended 30 June 2021
RMB'000

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

7. Other current assets

	30 June 2021 (Unaudited)	31 December 2020
Prepaid EIT	81,836	57,251
Prepaid VAT and deductible input tax	74,570	48,233
Prepaid surcharges	70,387	45,792
Prepaid land use tax	10,628	10,623
Prepaid stamp duty	9,526	8,695
Prepaid personal income tax	1,079	1,010
Others	7,307	8,957
	255,333	180,561

8. Long-term receivables

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

	30 June 2021 (Unaudited)	31 December 2020
Receivables under concession projects	205,884	120,894
Less: Long-term receivables due within one year	43,646	35,102
	162,238	85,792

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 long-term receivables have no bad debt provision for lifetime expected credit losses as of 30 June 2021 (31 December 2020: nil).

As at 30 June 2021, the Group's long-term receivables with restricted ownership amounted to RMB205,884,000 (31 December 2020: RMB120,894,000). Please refer to Note VI-13 for details.

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

9. Long-term equity investments

	30 June 2021 (Unaudited)	31 December 2020
Joint ventures		
Qinhuangdao Yuanyi Road Construction Management Co., Ltd.	407,427	407,617
Financial guarantee for Qinhuangdao Yuanyi Road Construction Management Co., Ltd.	15,742	15,742
Bazhou Hengzhiheng Gardening and Greenery Engineering Co., Ltd.	9,935	6,288
Inner Mongolia Construction Investment Group Co., Ltd.	3,023	-
Beijing Rungucheng Investment Management Co., Ltd.	1,194	1,247
Associates		
Yizongliangheng	56,788	56,788
Rongcheng County Hengda Construction Investment Co., Ltd.	29,137	29,141
Bozhou Xiangju	19,569	18,538
Zhongyuan Environmental	8,465	5,440
	551,280	540,801

NOTES TO FINANCIAL STATEMENTS

Six months ended 30 June 2021

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

9. Long-term equity investments (Continued)

Key information of joint ventures and associates:

30 June 2021 (Unaudited)

	Principal place of business/ place of registration	Nature of business	Registered capital	Shareholding (%)	Accounting treatment
Joint ventures					
Qinhuangdao Yuanyi Road Construction Management Co., Ltd.	PRC/PRC	Road management	200,000	49.5	Equity method
Bazhou Hengzhiheng Gardening and Greenery Engineering Co., Ltd.	PRC/PRC	Gardening and greenery	50,000	33	Equity method
Beijing Rungucheng Investment Management Co., Ltd.	PRC/PRC	Investment management	10,000	30	Equity method
Inner Mongolia Construction Investment Group Co., Ltd.	PRC/PRC	Construction investment	100,000	40	Equity method
Associates					
Zhongyuan Environmental	PRC/PRC	Construction management	167,380	5	Equity method
Bozhou Xiangju	PRC/PRC	Construction management	150,000	11	Equity method
Yizongliangheng	PRC/PRC	Road management	100,000	15	Equity method
Rongcheng County Hengda Construction Investment Co., Ltd.	PRC/PRC	Construction investment	100,000	29	Equity method

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

9. Long-term equity investments (Continued)

31 December 2020

	Principal place of business/ place of registration	Nature of business	Registered capital	Shareholding (%)	Accounting treatment
Joint ventures					
Qinhuangdao Yuanyi Road Construction Management Co., Ltd.	PRC/PRC	Road management	200,000	49.5	Equity method
Bazhou Hengzhiheng Gardening and Greenery Engineering Co., Ltd.	PRC/PRC	Gardening and greenery	50,000	33	Equity method
Beijing Rungucheng Investment Management Co., Ltd.	PRC/PRC	Investment management	10,000	30	Equity method
Associates					
Zhongyuan Environmental	PRC/PRC	Construction management	167,380	5	Equity method
Bozhou Xiangju	PRC/PRC	Construction management	150,000	11	Equity method
Yizongliangheng	PRC/PRC	Road management	100,000	15	Equity method
Rongcheng County Hengda Construction Investment Co., Ltd.	PRC/PRC	Construction investment	100,000	29	Equity method

NOTES TO FINANCIAL STATEMENTS

Six months ended 30 June 2021

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

9. Long-term equity investments (Continued)

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

	30 June 2021 (Unaudited)	31 December 2020
Total carrying values of investments	551,280	540,801
Total amounts calculated as per shareholding as follows		
Net (loss)/profit	(450)	3,225
Total comprehensive (loss)/income	(450)	3,225

As at 30 June 2021, the management of the Group considers that no impairment provision is required for long-term equity investments.

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

10. Other equity investments

30 June 2021 (Unaudited)

	Accumulated fair value changes through other comprehensive income	Fair value	Dividend income for the year Equity instruments held	Reason of measuring at fair value through other comprehensive income
Baoding Commercial Bank Co., Ltd.	153,500	599,000	44,550	Strategic investment
Taihang Heyi Environmental Technology Co., Ltd.	53,000	93,000	20,250	Strategic investment
Qinhuangdao Smooth Road Construction and Management Co., Ltd.	5,000	8,000	-	Strategic investment
China Risun Group Co., Ltd.	24,877	82,305	-	Strategic investment
Xihua County Jijiantongda Construction Co., Ltd.	-	156	-	Strategic investment
	236,377	782,461	64,800	

NOTES TO FINANCIAL STATEMENTS

Six months ended 30 June 2021
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VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10. Other equity investments (Continued)

31 December 2020

	Accumulated fair value changes through other comprehensive income	Fair value	Dividend income for the year Equity instruments held	Reason of measuring at fair value through other comprehensive income
Baoding Commercial Bank Co., Ltd.	142,500	588,000	59,400	Strategic investment
Taihang Heyi Environmental Technology Co., Ltd.	77,000	117,000	25,000	Strategic investment
Qinhuangdao Smooth Road Construction and Management Co., Ltd.	6,000	9,000	-	Strategic investment
China Risun Group Co., Ltd.	(2,476)	54,952	-	Strategic investment
Xihua County Jijiantongda Construction Co., Ltd.	-	156	-	Strategic investment
	<u>223,024</u>	<u>769,108</u>	<u>84,400</u>	

As at 30 June 2021, the Group had no other equity investment with restricted ownership (31 December 2020: RMB43,962,000). Please refer to Note VI-13.

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

11. Fixed assets

Six months ended 30 June 2021 (Unaudited)

	Buildings	Machinery equipment	Vehicles	Office equipment and others	Total
Cost					
Opening balance	335,730	170,983	74,587	100,066	681,366
Acquisitions	17,935	12,647	11,531	11,172	53,285
Transfer from construction in progress	504,935	-	-	-	504,935
Disposal or retirement	(10,751)	(17,075)	(12,763)	(6,251)	(46,840)
Closing balance	<u>847,849</u>	<u>166,555</u>	<u>73,355</u>	<u>104,987</u>	<u>1,192,746</u>
Accumulated depreciation					
Opening balance	(67,862)	(104,789)	(56,002)	(90,612)	(319,265)
Provision	(19,687)	(15,226)	(11,173)	(13,017)	(59,103)
Disposal or retirement	7,083	15,811	11,946	478	35,318
Closing balance	<u>(80,466)</u>	<u>(104,204)</u>	<u>(55,229)</u>	<u>(103,151)</u>	<u>(343,050)</u>
Carrying amount					
At the end of the period	<u>767,383</u>	<u>62,351</u>	<u>18,126</u>	<u>1,836</u>	<u>849,696</u>
At the beginning of the period	<u>267,868</u>	<u>66,194</u>	<u>18,585</u>	<u>9,454</u>	<u>362,101</u>

NOTES TO FINANCIAL STATEMENTS

Six months ended 30 June 2021
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VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

11. Fixed assets (Continued)

2020

	Buildings	Machinery equipment	Vehicles	Office equipment and others	Total
Cost					
Opening balance	295,424	178,735	79,967	96,990	651,116
Acquisitions	40,306	19,241	8,556	3,088	71,191
Disposal or retirement	-	(26,993)	(13,936)	(12)	(40,941)
Closing balance	<u>335,730</u>	<u>170,983</u>	<u>74,587</u>	<u>100,066</u>	<u>681,366</u>
Accumulated depreciation					
Opening balance	(35,336)	(102,672)	(55,684)	(79,307)	(272,999)
Provision	(32,526)	(27,874)	(13,557)	(11,317)	(85,274)
Disposal or retirement	-	25,757	13,239	12	39,008
Closing balance	<u>(67,862)</u>	<u>(104,789)</u>	<u>(56,002)</u>	<u>(90,612)</u>	<u>(319,265)</u>
Carrying amount					
At the end of the year	<u>267,868</u>	<u>66,194</u>	<u>18,585</u>	<u>9,454</u>	<u>362,101</u>
At the beginning of the year	<u>260,088</u>	<u>76,063</u>	<u>24,283</u>	<u>17,683</u>	<u>378,117</u>

As at 30 June 2021, the management of the Group considers that no impairment provision is required for fixed assets.

As at 30 June 2021, the Group had no fixed assets with restricted ownership (31 December 2020: RMB189,787,000). Please refer to Note VI-13.

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

12. Right-of-use assets

Six months ended 30 June 2021 (Unaudited)

	Buildings	Machinery equipment	Total
Cost			
Opening balance	19,320	34,190	53,510
Addition	692	70	762
Reduction	(979)	(851)	(1,830)
Closing balance	<u>19,033</u>	<u>33,409</u>	<u>52,442</u>
Accumulated depreciation			
Opening balance	(7,715)	(14,022)	(21,737)
Provision	(871)	(4,217)	(5,088)
Reduction	979	851	1,830
Closing balance	<u>(7,607)</u>	<u>(17,388)</u>	<u>(24,995)</u>
Carrying amount			
At the end of the period	<u>11,426</u>	<u>16,021</u>	<u>27,447</u>
At the beginning of the period	<u>11,605</u>	<u>20,168</u>	<u>31,773</u>

NOTES TO FINANCIAL STATEMENTS

Six months ended 30 June 2021
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VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

12. Right-of-use assets (Continued)

2020

	Buildings	Machinery equipment	Total
Cost			
Opening balance	23,572	33,380	56,952
Addition	868	810	1,678
Reduction	(5,120)	-	(5,120)
Closing balance	19,320	34,190	53,510
Accumulated depreciation			
Opening balance	(8,858)	(1,550)	(10,408)
Addition	(3,977)	(12,472)	(16,449)
Reduction	5,120	-	5,120
Closing balance	(7,715)	(14,022)	(21,737)
Carrying amount			
At the end of the year	11,605	20,168	31,773
At the beginning of the year	14,714	31,830	46,544

As at 30 June 2021, the management of the Group considers that no impairment provision is required for right-of-use assets.

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

	30 June 2021 (Unaudited)	31 December 2020	
Currency funds	445,385	452,706	<i>Note 1</i>
Accounts receivable	102,569	282,960	<i>Note 2</i>
Receivables financing	32,668	116,805	<i>Note 3</i>
Contract assets	3,404,767	2,472,966	<i>Note 2</i>
Long-term receivables (including long-term receivables due within one year)	205,884	120,894	<i>Note 2</i>
Other equity investments	-	43,962	<i>Note 4</i>
Investment property	137,900	-	<i>Note 5</i>
Fixed assets	-	189,787	<i>Note 6</i>
	4,329,173	3,680,080	

Note 1: As at 30 June 2021, the Group's currency funds with restricted ownership included bill deposits of RMB263,212,000, legally freezing of RMB171,815,000 and letters of guarantee of RMB10,358,000. As at 31 December 2020, the Group's currency funds with restricted ownership included bill deposits of RMB199,807,000, legally freezing of RMB234,920,000, letters of guarantee of RMB16,019,000 and time deposit certificate pledge of RMB1,960,000.

Note 2: As at 30 June 2021, the Group obtained a short-term borrowing of RMB384,216,000 jointly secured by accounts receivable with the carrying amount of RMB102,569,000 and contract assets with the carrying amount of RMB799,277,000; the Group obtained a long-term bank borrowing of RMB1,387,882,000 jointly secured by long-term receivables with the carrying amount of RMB205,884,000 and contract assets with the carrying amount of RMB2,605,490,000. As at 31 December 2020, the Group obtained a short-term borrowing of RMB393,687,000 jointly secured by accounts receivable with the carrying amount of RMB282,960,000 and contract assets with the carrying amount of RMB766,985,000; the Group obtained a long-term borrowing of RMB1,168,319,000 jointly secured by contract assets with the carrying amount of RMB1,705,981,000 and long-term receivables with the carrying amount of RMB120,894,000.

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

13. Assets with restricted ownership (Continued)

Note 3: As at 30 June 2021, the Group obtained a short-term borrowing of RMB32,819,000 secured by receivables financing with the carrying amount of RMB32,668,000. As at 31 December 2020, the Group obtained a short-term borrowing of RMB117,554,000 secured by receivables financing with the carrying amount of RMB116,805,000.

Note 4: As at 30 June 2021, the Group had no other equity investments with restricted ownership. As at 31 December 2020, the Group obtained a long-term borrowing of RMB10,990,000 secured by other equity investments with the carrying amount of RMB43,962,000.

Note 5: As at 30 June 2021, the Group obtained a short-term bank borrowings of RMB100,105,000 secured by investment property with the carrying amount of RMB137,900,000 (2020: Nil).

Note 6: As at 30 June 2021, the Group had no fixed assets with restricted ownership. As at 31 December 2020, the Group obtained a long-term borrowing of RMB53,790,000 secured by fixed assets of RMB166,276,000, and obtained a short-term borrowing of RMB17,500,000 secured by fix assets of RMB23,511,000.

14. Short-term borrowings

	30 June 2021 (Unaudited)	31 December 2020
Guaranteed loans	886,748	984,000
Unsecured loans	741,162	756,800
Loans secured by pledges	417,035	511,241
Loans secured by mortgages	100,105	17,500
	2,145,050	2,269,541

As at 30 June 2021, interest rates of the above borrowings ranged from 3.35% to 10.00% per annum (31 December 2020: 3.35% to 10.00%).

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

15. Accounts payable

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

The ageing analysis of accounts payable is as follows:

	30 June 2021 (Unaudited)	31 December 2020
Within 1 year	19,245,877	20,476,009
1 to 2 years	10,584,540	11,596,292
2 to 3 years	2,879,162	2,248,033
Over 3 years	781,497	705,554
	33,491,076	35,025,888

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

16. Other current liabilities

	30 June 2021 (Unaudited)	31 December 2020
VAT amounts to be transferred to output	3,212,545	3,300,265
Financial guarantee contracts	22,859	23,311
	3,235,404	3,323,576

NOTES TO FINANCIAL STATEMENTS

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

17. Long-term borrowings

	30 June 2021 (Unaudited)	31 December 2020
Guaranteed loans	1,624,707	1,683,847
Loans secured by pledges	967,249	527,990
Guaranteed loans and loans secured by pledges	420,633	651,319
Loans secured by mortgages	-	53,790
	3,012,589	2,916,946
Less: Long-term borrowings due within one year	371,643	957,347
	2,640,946	1,959,599

As at 30 June 2021, interest rates of the above borrowings are 3.4% to 12.0% per annum (31 December 2020: 3.5% to 12.0%).

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

	30 June 2021 (Unaudited)	31 December 2020
Within 1 year	371,643	957,347
1 to 2 years	925,926	516,280
2 to 5 years	400,551	336,000
Over 5 years	1,314,469	1,107,319
	3,012,589	2,916,946

VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**18. Lease liabilities**

	30 June 2021 (Unaudited)	31 December 2020
Lease liabilities for machinery equipment	13,250	16,343
Lease liabilities for buildings	12,988	13,135
	26,238	29,478
Less: Lease liabilities due within one year	8,511	7,366
	17,727	22,112

19. Share capital

	30 June 2021 (Unaudited)		31 December 2020	
	<i>RMB</i>	<i>Proportion (%)</i>	<i>RMB</i>	<i>Proportion (%)</i>
Zhongru Investment Co., Ltd.	1,202,500	68	1,202,500	68
H Shares on the Main Board of Hong Kong	461,384	26	461,384	26
Qianbao Investment Co., Ltd.	97,500	6	97,500	6
	1,761,384	100	1,761,384	100

NOTES TO FINANCIAL STATEMENTS

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

20. Retained earnings

	Six months ended 30 June 2021 (Unaudited)	2020
Retained earnings at the end of last year	2,181,233	1,760,756
Net profit attributable to shareholders of the parent	236,829	759,856
Less: Appropriation to statutory surplus reserve	-	83,231
Cash dividends paid (<i>Note</i>)	246,594	246,595
Other comprehensive income transferred to retained earnings	-	9,553
Retained earnings at the end of the period/year	2,171,468	2,181,233

Note: Pursuant to the resolution at the AGM on 8 June 2021, the Group declared a cash dividend of RMB0.14 (tax included) for each share, which amounted to RMB246,593,690 (tax included) based on the total share capital of the Company as at 31 December 2020. On 16 July 2021, such cash dividend was fully paid.

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

The operating revenue is as follows:

	Six months ended 30 June 2021 (Unaudited)	Six months ended 30 June 2020 (Unaudited)
Revenue from major business	19,590,965	14,124,866
Revenue from other business	379,442	246,690
	19,970,407	14,371,556

The operating revenue is as follows:

	Six months ended 30 June 2021 (Unaudited)	Six months ended 30 June 2020 (Unaudited)
Revenue from contracts with customers	19,955,411	14,355,917
Rental income	14,996	15,639
	19,970,407	14,371,556

NOTES TO FINANCIAL STATEMENTS

Six months ended 30 June 2021
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VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

21. Operating revenue (Continued)

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

Six months ended 30 June 2021 (Unaudited)

Reporting segment	Construction	Others	Total
Major operating regions			
China (excluding Hong Kong, Macau and Taiwan)	19,246,139	606,846	19,852,985
Other countries and regions	102,426	-	102,426
	<u>19,348,565</u>	<u>606,846</u>	<u>19,955,411</u>
Major products			
Building construction	13,268,901	-	13,268,901
Infrastructure construction	4,283,113	480,335	4,763,448
Specialised and other construction	1,558,616	-	1,558,616
Sewage and reclaimed water treatment	-	18,750	18,750
Sales of goods and others	237,935	107,761	345,696
	<u>19,348,565</u>	<u>606,846</u>	<u>19,955,411</u>
Timing of revenue recognition			
At a point in time			
Sales of goods and others	237,935	107,761	345,696
Within a period of time			
Building construction	13,268,901	-	13,268,901
Infrastructure construction	4,283,113	480,335	4,763,448
Specialised and other construction	1,558,616	-	1,558,616
Sewage and reclaimed water treatment	-	18,750	18,750
	<u>19,348,565</u>	<u>606,846</u>	<u>19,955,411</u>

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

21. Operating revenue (Continued)

Six months ended 30 June 2020 (Unaudited)

Reporting segment	Construction	Others	Total
Major operating regions			
China (excluding Hong Kong, Macau and Taiwan)	13,603,029	659,879	14,262,908
Other countries and regions	93,009	-	93,009
	<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
Specialised 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 in 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
Specialised and other construction	1,577,501	-	1,577,501
Sewage and reclaimed water treatment	-	11,797	11,797
	<u>13,696,038</u>	<u>659,879</u>	<u>14,355,917</u>

NOTES TO FINANCIAL STATEMENTS

Six months ended 30 June 2021
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VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

21. Operating revenue (Continued)

The revenue recognised in this year included in the carrying amounts of the contract liabilities at the beginning of the year is as follows:

	Six months ended 30 June 2021 (Unaudited)	Six months ended 30 June 2020 (Unaudited)
Building construction	2,003,000	1,335,121
Infrastructure construction	1,189,540	747,844
Specialised and other construction	246,881	447,095
	3,439,421	2,530,060

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 are 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.

Sewage and reclaimed water treatment

The performance obligation is fulfilled within the period of provision of relevant services. The contract period for sewage and reclaimed water treatment is 25 years. The contract sum is normally paid within 90 days after settlement.

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

	Six months ended 30 June 2021 (Unaudited)	Six months ended 30 June 2020 (Unaudited)
Interest expenses	182,470	198,406
Including: Interest expenses of lease liabilities	1,022	4,195
Less: Interest income	21,876	26,198
Exchange losses	(657)	(3,415)
	159,937	168,793

There were no capitalised borrowing costs during the period (six months ended 30 June 2020: Nil).

23. Investment income/(loss)

	Six months ended 30 June 2021 (Unaudited)	Six months ended 30 June 2020 (Unaudited)
Dividend income from other equity investments held	64,800	25,000
(Loss)/income from long-term equity investments accounted for under the equity method	(450)	1,096
Loss from the derecognition of financial assets measured at amortised cost	(35,526)	(31,264)
Others	-	1,093
	28,824	(4,075)

NOTES TO FINANCIAL STATEMENTS

Six months ended 30 June 2021
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VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

24. Credit impairment losses

	Six months ended 30 June 2021 (Unaudited)	Six months ended 30 June 2020 (Unaudited)
Bad debt losses on accounts receivable	62,948	19,394
Bad debt losses on other receivables	31,421	(2,161)
	94,369	17,233

25. Asset impairment losses

	Six months ended 30 June 2021 (Unaudited)	Six months ended 30 June 2020 (Unaudited)
Bad debt losses on contract assets	231,694	30,959

VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**26. Income tax expenses**

	Six months ended 30 June 2021 (Unaudited)	Six months ended 30 June 2020 (Unaudited)
Current income tax expenses	140,752	80,966
Deferred income tax income	(87,753)	(10,988)
	52,999	69,978

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

	Six months ended 30 June 2021 (Unaudited)	Six months ended 30 June 2020 (Unaudited)
Total profit	282,080	316,645
Income tax expenses at the statutory tax rate (<i>Note</i>)	70,520	79,161
Profits and losses attributable to joint ventures and associates	113	(274)
Income not subject to tax	(16,200)	(6,250)
Non-deductible expenses	1,477	655
Unrecognised deductible temporary differences and deductible losses	12,911	6,190
Adjustments to current income taxes of previous periods	(8,449)	(8,965)
Deductible losses utilized from previous years	(7,373)	(539)
Tax charge at the Group's effective tax rate	52,999	69,978

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

NOTES TO FINANCIAL STATEMENTS

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

27. Earnings per share

	Six months ended 30 June 2021 RMB per share (Unaudited)	Six months ended 30 June 2020 RMB per share (Unaudited)
Basic earnings per share		
Continuing operations	0.13	0.14

Basic earnings per share is 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 basic earnings per share and diluted earnings per share is as follows:

	Six months ended 30 June 2021 (Unaudited)	Six months ended 30 June 2020 (Unaudited)
Earnings		
Net profit for the period attributable to ordinary shareholders of the Company		
Continuing operations	236,829	249,129
Shares		
Weighted average number of ordinary shares in issue of the Company	1,761,383,500	1,761,383,500

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

VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**28. Cash flows from operating activities**

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

	Six months ended 30 June 2021 (Unaudited)	Six months ended 30 June 2020 (Unaudited)
Net profit	229,081	246,667
Add: Credit impairment losses	94,369	17,233
Asset impairment losses	231,694	30,959
Gains on changes in fair value	(1,274)	(1,850)
Depreciation of right-of-use assets	5,088	2,545
Depreciation of fixed assets	59,103	23,035
Amortisation of intangible assets	1,072	3,035
Gains on the disposal of fixed assets, intangible assets and other long-term assets	(1,829)	(119)
Finance expenses	165,258	168,793
Investment gains	(28,824)	4,075
Increase in deferred income tax assets	(87,753)	(10,313)
Decrease/(increase) in inventories	41,497	(97,770)
Increase in operating receivables	(142,873)	(845,081)
Decrease in operating payables	(2,435,576)	(671,423)
Net cash flows used in operating activities	(1,870,967)	(1,130,214)

NOTES TO FINANCIAL STATEMENTS

Six months ended 30 June 2021
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VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

29. Cash and cash equivalents

	30 June 2021 (Unaudited)	31 December 2020
Cash	6,216,372	8,453,271
Including: Cash on hand	5,385	9,540
Bank deposits	4,752,405	6,984,518
Other currency funds	1,458,582	1,459,213
Less: Restricted cash and cash equivalents of the Company or subsidiaries of the Group	445,385	452,706
Closing balance of cash and cash equivalents	5,770,987	8,000,565

Cash and cash equivalents

	Six months ended 30 June 2021 (Unaudited)	2020
Closing balance of cash for the period/year	5,770,987	8,000,565
Less: Opening balance of cash for the period/year	8,000,565	6,675,426
Net (decrease)/increase in cash and cash equivalents	(2,229,578)	1,325,139

VII. SEGMENT REPORT

1. Operating segments

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

- (1) The construction contracting segment mainly engages in the construction general contracting and subcontracting business;
- (2) The “others” segment mainly includes service concession arrangements and other services of the Group.

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

NOTES TO FINANCIAL STATEMENTS

Six months ended 30 June 2021
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VII. SEGMENT REPORT (Continued)

1. Operating segments (Continued)

Segment information for the six months ended 30 June 2021 (Unaudited)

	Construction contracting	Others	Adjustment and offset	Total
Sales to external customers	19,348,565	621,842	-	19,970,407
Intersegment sales	190,063	11,685	(201,748)	-
Gains on investments in joint ventures and associates	(44)	(406)	-	(450)
Credit impairment losses	92,851	1,518	-	94,369
Asset impairment losses	223,715	15,196	(7,217)	231,694
Depreciation and amortisation	45,471	19,792	-	65,263
Total profit	305,749	(15,218)	(8,451)	282,080
Other disclosures				
Long-term equity investments in associates and joint ventures	540,150	11,130	-	551,280
Increase in non-current assets other than long-term equity investments	104,155	28,244	-	132,399

VII. SEGMENT REPORT (Continued)**1. Operating segments** (Continued)

Segment information for the six months ended 30 June 2020 (Unaudited)

	Construction contracting	Others	Adjustment and offset	Total
Sales to external customers	13,696,038	675,518	-	14,371,556
Intersegment sales	181,324	10,126	(191,450)	-
Gains on investments in joint ventures and associates	1,181	(85)	-	1,096
Credit impairment losses	10,949	6,284	-	17,233
Asset impairment losses	30,959	30,332	(30,332)	30,959
Depreciation and amortisation	17,844	10,771	-	28,615
Total profit	307,304	(10,173)	19,514	316,645
Other disclosures				
Long-term equity investments in associates and joint ventures	529,753	1,358	-	531,111
Increase in non-current assets other than long-term equity investments	430,899	72,466	-	503,365

Segment information for the six months ended 30 June 2021 (Unaudited)

	Construction contracting	Others	Adjustment and offset	Total
Total assets	57,987,197	5,547,711	(2,962,517)	60,572,391
Total liabilities	51,885,823	3,819,806	(1,572,896)	54,132,733

NOTES TO FINANCIAL STATEMENTS

Six months ended 30 June 2021
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VII. SEGMENT REPORT (Continued)

1. Operating segments (Continued)

Segment information as of 31 December 2020

	Construction contracting	Others	Adjustment and offset	Total
Total assets	60,070,301	5,671,036	(2,947,455)	62,793,882
Total liabilities	53,873,652	4,044,230	(1,564,079)	56,353,803

2. Other information

Geographical information

Revenue from external transactions

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

Total non-current assets

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

Information about major customers

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

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

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

30 June 2021 (Unaudited)**Financial assets**

	Financial assets at fair value through profit or loss	Financial assets at amortised cost	Financial assets at fair value through other comprehensive income		Total
	Required by the standards		Required by the standards	Designated	
Currency funds	-	6,216,372	-	-	6,216,372
Financial assets held for trading	817	-	-	-	817
Accounts receivable	-	6,139,302	-	-	6,139,302
Receivables financing	-	-	2,327,260	-	2,327,260
Other receivables	-	2,731,263	-	-	2,731,263
Non-current assets due within one year	-	43,646	-	-	43,646
Long-term receivables	-	162,238	-	-	162,238
Other equity investments	-	-	-	782,461	782,461
	817	15,292,821	2,327,260	782,461	18,403,359

NOTES TO FINANCIAL STATEMENTS

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VIII. FINANCIAL INSTRUMENTS AND THEIR RISKS (Continued)

1. Classification of financial instruments (Continued)

Financial liabilities

	Financial liabilities at amortised cost
Short-term borrowings	2,145,050
Notes payable	866,577
Accounts payable	33,491,076
Other payables	5,207,788
Non-current liabilities due within one year	380,154
Long-term borrowings	2,640,946
Lease liabilities	17,727
	44,749,318

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

31 December 2020

Financial assets

	Financial assets at fair value through profit or loss	Financial assets at amortised cost	Financial assets at fair value through other comprehensive income		Total
	Required by the standards		Required by the standards	Designated	
Currency funds	-	8,453,271	-	-	8,453,271
Financial assets held for trading	743	-	-	-	743
Accounts receivable	-	5,427,035	-	-	5,427,035
Receivables financing	-	-	1,699,431	-	1,699,431
Other receivables	-	2,437,425	-	-	2,437,425
Non-current assets due within one year	-	35,102	-	-	35,102
Long-term receivables	-	85,792	-	-	85,792
Other equity investments	-	-	-	769,108	769,108
	<u>743</u>	<u>16,438,625</u>	<u>1,699,431</u>	<u>769,108</u>	<u>18,907,907</u>

NOTES TO FINANCIAL STATEMENTS

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VIII. FINANCIAL INSTRUMENTS AND THEIR RISKS (Continued)

1. Classification of financial instruments (Continued)

Financial liabilities

	Financial liabilities at amortised cost
Short-term borrowings	2,269,541
Notes payable	571,443
Accounts payable	35,025,888
Other payables	5,304,087
Non-current liabilities due within one year	964,713
Long-term borrowings	1,959,599
Lease liabilities	22,112
	<u>46,117,383</u>

2. Transfer of financial assets

Financial assets being transferred but not derecognised

As at 30 June 2021, the carrying amount of bills endorsed to suppliers for settlement of accounts payable amounted to RMB1,167,972,000 (31 December 2020: RMB413,153,000). The Group considers that it has retained substantially all the risks and rewards, including default risks relating to such bills. Accordingly, the bills and relevant settled amounts payable are fully recognised. Subsequent to the endorsement, the Group did not retain any rights on the use of the endorsed bills, including the right of sale, transfer or pledge of the bills to any other third parties. As at 30 June 2021, the carrying amount for settlement of accounts payable of the Group amounted to RMB1,167,972,000 (31 December 2020: RMB413,153,000).

VIII. FINANCIAL INSTRUMENTS AND THEIR RISKS (Continued)

2. Transfer of financial assets (Continued)

Financial assets being transferred but not derecognised (Continued)

As part of the daily business, the Group and some financial institutions have reached factoring arrangements for accounts receivable and transferred certain accounts receivable to the financial institutions. Pursuant to such arrangements, if the debtor of the accounts receivable delays payment, the Group is required to repay the amount. For the financial assets which the Group retains almost all of their risks and rewards of ownership, such financial assets will not be derecognised. After the transfer, the Group no longer reserves the right to use it, including the right to sell, transfer or pledge it to other third parties. As at 30 June 2021, the original carrying amount of accounts receivable transferred under such arrangements but not yet settled was RMB437,791,000 (31 December 2020: RMB353,086,000), and the related liabilities amounted to RMB437,791,000 (31 December 2020: RMB353,086,000), which were included in accounts receivable and short-term liabilities, respectively.

Transferred financial assets that are derecognised with continuing involvement

As at 30 June 2021, the carrying amount of bank acceptance bills endorsed to suppliers for settlement of accounts payable amounted to RMB298,616,000 (31 December 2020: RMB1,258,725,000). As at 30 June 2021, the bills have a maturity of 1 to 6 months. In accordance with the Negotiable Instruments Law, holders of the bills have a right of recourse against the Group if the acceptance bank refused the payment (the "Continuing Involvement"). In the opinion of the Group, the Group has transferred substantially all risks and rewards. Accordingly, the carrying amount of accounts payable settled by the bills was derecognised. The maximum loss and undiscounted cash flow of the Continuing Involvement and repurchase approximate to their carrying amounts. In the opinion of the Group, the fair value of the Group's Continuing Involvement is not significant.

During the six months ended 30 June 2021, the Group has not recognised any gain or loss on the date of transfer of the bills. No gains or losses were recognised from the Continuing Involvement, both during the year or cumulatively. The endorsement has been made evenly throughout the period.

VIII. FINANCIAL INSTRUMENTS AND THEIR RISKS (Continued)

3. Financial instruments risks

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

Credit risk

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

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

Criteria for determining significant increase in credit risk

The Group assesses whether or not the credit risk of the relevant financial instruments has increased significantly since the initial recognition at each balance sheet date. When determining whether the credit risk has significantly increased since initial recognition, the Group takes into account the reasonable and substantiated information that is accessible without exerting unnecessary cost or effort, including qualitative and quantitative analysis based on the historical data of the Group, external credit risk rating, and forward-looking information. Based on the single financial instrument or the combination of financial instruments with similar characteristics of credit risk, the Group compares the risk of default of financial instruments on the balance sheet date with that on the initial recognition date in order to figure out the changes of default risk in the expected lifetime of financial instruments.

The Group considers that credit risk of financial instrument has significantly increased when there is a material adverse change in the operating or financial condition of the principal debtor.

VIII. FINANCIAL INSTRUMENTS AND THEIR RISKS (Continued)

3. Financial instruments risks (Continued)

Credit risk (Continued)

Definition of credit-impaired assets

The criteria adopted by the Group to determine whether a credit impairment occurs is consistent with the internal credit risk management objectives of the relevant financial instrument, taking into account quantitative and qualitative indicators. When the Group assesses whether the credit impairment of debtor occurred, the following factors are mainly considered:

- Significant financial difficulty of the issuer or the debtor;
- Debtors are in breach of contract, such as defaulting on interest or becoming overdue on interest or principal payments;
- The creditor of the debtor, for economic or contractual reasons relating to the debtor's financial difficulty, having granted to the debtor a concession that the creditor would not otherwise consider;
- It is becoming probable that the debtor will enter bankruptcy or other financial restructuring;
- The disappearance of an active market for that financial asset because of financial difficulties of the issuer or the debtor;
- The purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

The credit impairment on a financial asset may be caused by the combined effect of multiple events and may not be necessarily due to a single identifiable event.

VIII. FINANCIAL INSTRUMENTS AND THEIR RISKS (Continued)

3. Financial instruments risks (Continued)

Credit risk (Continued)

Parameters of measurement of expected credit losses

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

Definitions are as follows:

- (1) The probability of default is the probability that the debtor will not be able to meet its repayment obligations within the following 12 months or throughout the remaining duration. To reflect the macro-economic expected credit loss environment conditions, the Group's assessment of the probability of default is based on the calculation of expected credit loss model adjusted by forward-looking information;
- (2) The loss given default refers to the Group's expectation of the extent of the loss of default risk exposure. The loss given default varies depending on the type of counterparty, the way and priority of recourse, and the type of collateral. The loss given default is the percentage of the risk exposure loss at the time of default, calculated on the basis of the next 12 months or the entire duration;
- (3) The exposure at default refers to the amount that the Group should be repaid in the event of default in the next 12 months or throughout the remaining period.

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

VIII. FINANCIAL INSTRUMENTS AND THEIR RISKS (Continued)**3. Financial instruments risks** (Continued)**Credit risk** (Continued)**Parameters of measurement of expected credit losses** (Continued)

As at 30 June 2021, no provision was provided for impairment losses of other receivables which were overdue over one year based on 12-month expected credit losses (31 December 2020: Nil).

For information on exposure at default of accounts receivable, other receivables, long-term receivables and contract assets, please refer to Notes VI-2, 5, 8 and 6. The Group is also exposed to credit risk for providing financial guarantees, details of which are disclosed in Note XI.

NOTES TO FINANCIAL STATEMENTS

Six months ended 30 June 2021
RMB'000

VIII. FINANCIAL INSTRUMENTS AND THEIR RISKS (Continued)

3. Financial instruments risks (Continued)

Liquidity risk

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

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

30 June 2021 (Unaudited)

	Within 1 year	1 to 5 years	Over 5 years	Total
Short-term borrowings	2,155,536	-	-	2,155,536
Notes payable	866,577	-	-	866,577
Accounts payable	33,491,076	-	-	33,491,076
Other payables	5,207,788	-	-	5,207,788
Non-current liabilities				
due within one year	523,171	-	-	523,171
Long-term borrowings	-	1,630,753	1,705,050	3,335,803
Lease liabilities	-	21,864	-	21,864
Financial guarantee contract	18,961	120,773	5,138	144,872
	<u>42,263,109</u>	<u>1,773,390</u>	<u>1,710,188</u>	<u>45,746,687</u>

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

31 December 2020

	Within 1 year	1 to 5 years	Over 5 years	Total
Short-term borrowings	2,330,842	-	-	2,330,842
Notes payable	571,443	-	-	571,443
Accounts payable	35,025,888	-	-	35,025,888
Other payables	5,304,087	-	-	5,304,087
Non-current liabilities				
due within one year	1,130,663	-	-	1,130,663
Long-term borrowings	-	1,165,575	1,562,804	2,728,379
Lease liabilities	-	27,364	-	27,364
Financial guarantee contract	16,728	108,187	28,379	153,294
	<u>44,379,651</u>	<u>1,301,126</u>	<u>1,591,183</u>	<u>47,271,960</u>

Market risk**Interest rate risk**

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

As at 30 June 2021, under the assumption that other variables were held constant, if the interest rate of borrowings increased/decreased by 100 basis points, the net profit/loss of the Group would decrease/increase by RMB8,753,000 (2020: RMB14,692,000) due to the changes in interest expenses of borrowings with floating interest rates.

VIII. FINANCIAL INSTRUMENTS AND THEIR RISKS (Continued)

3. Financial instruments risks (Continued)

Market risk (Continued)

Price risk of equity instrument investments

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

As at 30 June 2021, under the assumption that other variables were held constant, if the fair value of the corresponding equity instrument investments increased/decreased by 100 base points, the other comprehensive income (net of tax) of the Group would increase/decrease by RMB617,000 (2020: RMB412,000) due to the change in the fair value of other equity investments.

4. Capital management

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

The Group manages its capital structure and makes adjustment to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares or dispose of assets to reduce liabilities. No changes were made in the objectives, policies or processes for capital management for the six months ended 30 June 2021 and the year of 2020.

VIII. FINANCIAL INSTRUMENTS AND THEIR RISKS (Continued)**4. Capital management** (Continued)

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

	30 June 2021 (Unaudited)	31 December 2020
Gearing ratio	80%	81%

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

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

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

	Carrying amount		Fair value	
	30 June 2021 (Unaudited)	31 December 2020	30 June 2021 (Unaudited)	31 December 2020
Long-term borrowings	1,796,495	765,990	1,787,133	809,416

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

NOTES TO FINANCIAL STATEMENTS

Six months ended 30 June 2021

RMB'000

IX. FAIR VALUE (Continued)

1. Fair value of financial instruments (Continued)

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

The fair value of long-term receivables and long-term borrowings is calculated by discounting the future cash flows using market yield currently available for other financial instruments with similar contract terms, credit risk and residual term as the discount rate. As at 30 June 2021 and 31 December 2020, the Group's exposure to non-performance risk associated with the long-term borrowings is assessed to be insignificant. As of 30 June 2021 and 31 December 2020, the fair value of long-term receivables approximates their carrying amount.

The fair values of listed equity instrument investments are determined by the market value. The fair values of investments in unlisted equity instruments use assumptions that are not supported by observable market prices or interest rates. The valuation requires the Group to determine comparable public companies (peers) based on industry, size, leverage and strategy, and calculates an appropriate price multiple, such as price to earnings ("P/E") multiple and price to net assets ("P/B") multiple, for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by earnings and net assets measures. The trading multiple is then discounted for liquidity based on company-specific facts and circumstances, taking into account factors such as liquidity and size differences between comparable companies. The Group believes that the fair value estimated using valuation techniques is reasonable and the most appropriate value as of the balance sheet date.

For the fair value of the non-listed equity instrument investment, the Group estimated and quantified the potential impact of adopting other reasonable and possible assumptions as input value in the valuation model: with the use of less favorable assumption, the fair value decreased by approximately RMB7,580,000; with the use of more favorable assumption, the fair value increased by approximately RMB7,400,000.

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

	Valuation technique	Significant unobservable inputs	Range or weighted average	
			30 June 2021 (Unaudited)	31 December 2020
RT-Mart	Yield approach	Yield rate	8.2%	8.2%
		Annual market rental (per square meter)	128-132	123-143

3. Fair value hierarchy

Assets measured at fair value:

30 June 2021 (Unaudited)

	Inputs used in fair value measurement			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Ongoing fair value measurement				
Financial assets held for trading	817	-	-	817
Receivables financing	-	2,327,260	-	2,327,260
Other equity investments	82,305	-	700,156	782,461
Investment properties	-	-	137,900	137,900
	83,122	2,327,260	838,056	3,248,438

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Six months ended 30 June 2021
RMB'000

IX. FAIR VALUE (Continued)

3. Fair value hierarchy (Continued)

Assets measured at fair value: (Continued)

31 December 2020

	Inputs used in fair value measurement			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Ongoing fair value measurement				
Financial assets held for trading	743	-	-	743
Receivables financing	-	1,699,431	-	1,699,431
Other equity investments	54,952	-	714,156	769,108
Investment properties	-	-	136,700	136,700
	<u>55,695</u>	<u>1,699,431</u>	<u>850,856</u>	<u>2,605,982</u>

The fair value of receivables financing is calculated by discounting the expected future cash flows using market rates of return currently available for other financial instruments with similar credit risk and remaining maturities.

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

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

	Fair value at the end of the period/year	Valuation technique	Unobservable inputs	Scope (Weighted average)
Non-listed equity investments				
Baoding Commercial Bank Co., Ltd.	30 June 2021: 599,000	Listed companies comparison method	P/B multiple Median of peers	30 June 2021: 0.8-1.1
	31 December 2020: 588,000			31 December 2020: 0.8-1.1
			Discount for liquidity	30 June 2021: 30% 31 December 2020: 30%
Baoding Taihang Heyi Environmental Technology Co., Ltd.	30 June 2021: 93,000	Listed companies comparison method	P/E multiple Median of peers	30 June 2021: 6.2-10.1
	31 December 2020: 117,000			31 December 2020: 6.5-10.1
			Discount for liquidity	30 June 2021: 30% 31 December 2020: 30%
Qinhuangdao Smooth Road Construction Co., Ltd.	30 June 2021: 8,000	Listed companies comparison method	P/B multiple Median of peers	30 June 2021: 0.9-1.3
	31 December 2020: 9,000			31 December 2020: 0.9-1.2
			Discount for liquidity	30 June 2021: 30% 31 December 2020: 30%
Leased properties				
RT-Mart	30 June 2021: 137,900	Discounted cash flow method	Yield rate	30 June 2021: 8.2%
	31 December 2020: 136,700			31 December 2020: 8.2%
			Annual market rental (per square metre)	30 June 2021: 128-132 31 December 2020: 123-143

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

NOTES TO FINANCIAL STATEMENTS

Six months ended 30 June 2021
RMB'000

IX. FAIR VALUE (Continued)

3. Fair value hierarchy (Continued)

Liabilities disclosed at fair value

30 June 2021 (Unaudited)

	Inputs used in fair value measurement			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Long-term borrowings	-	1,787,133	-	1,787,133

31 December 2020

	Inputs used in fair value measurement			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Long-term borrowings	-	809,416	-	809,416

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

1. Definition of related parties

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

Related parties of the Company are as follows:

- (1) Parent companies of the Company;
- (2) Subsidiaries of the Company;
- (3) Other enterprises under common control by the parent company;
- (4) The investor with common control over the Company;
- (5) The investor with significant influence over the Company;
- (6) Joint ventures of the Group;
- (7) Associates of the Group;
- (8) Major individual investors of the Company and their close family members;
- (9) Key management personnel of the Company or the parent companies and their close family members;
- (10) Other enterprises under the control or common control of the Company's major individual investors, key management personnel or their close family members;

NOTES TO FINANCIAL STATEMENTS

Six months ended 30 June 2021
RMB'000

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(Continued)

1. Definition of related parties (Continued)

- (11) Joint ventures or associates of other members (including parent company and subsidiaries) within the same group as the Company;
- (12) Joint ventures or associates of enterprises that exercise common control over the Company;
- (13) Joint ventures of enterprises with significant influence over the Company.

The joint ventures mentioned above include the joint ventures and their subsidiaries, and the associates include the associates and their subsidiaries.

2. Parent companies and subsidiaries

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

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

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

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(Continued)

3. Other related parties

Name of related party	Related party relationships
Zhongru Investment Co., Ltd.	Parent company
Qianbao Investment Co., Ltd.	Parent company
Yizongliangheng	Associate
Bozhou Xiangju	Associate
Rongcheng County Hengda Construction Investment Co., Ltd.	Associate
Zhongyuan Environmental	Associate
Qinhuangdao Yuanyi Road Construction Management Co., Ltd.	Joint venture
Bazhou Hengzhiheng Gardening and Greenery Engineering Co., Ltd.	Joint venture
Beijing Rungucheng Investment Management Co., Ltd.	Joint venture
Inner Mongolia Construction Investment Group Co., Ltd.	Joint venture
Zhongming Zhiye Co., Ltd.	Other enterprises under common control by the parent company
Baoding Tianli Labor Service Co., Ltd.	Other enterprises under common control by the parent company
Hebei Tianbo Construction Technology Co., Ltd.	Other enterprises under common control by the parent company
Chengde Summer Resort Cultural Industrial Park Co., Ltd.	Other enterprises under common control by the parent company
Sanhe Baolan Heat Co., Ltd.	Other enterprises under common control by the parent company
Zhongcheng Real Estate Development Co., Ltd.	Other enterprises under common control by the parent company
Xi'an Zhongyuan Real Estate Development Co., Ltd.	Other enterprises under common control by the parent company
Baoding Taiji Real Estate Development Co., Ltd.	Other enterprises under common control by the parent company
Luanping Zhongcheng Real Estate Development Co., Ltd.	Other enterprises under common control by the parent company
Huilai Zhongcheng Real Estate Development Co., Ltd.	Other enterprises under common control by the parent company
Hebei Construction Group Qianqiu Management Co., Ltd.	Other enterprises under common control by the parent company

NOTES TO FINANCIAL STATEMENTS

Six months ended 30 June 2021

RMB'000

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(Continued)

3. Other related parties

Name of related party	Related party relationships
Hebei Qianyuan Agricultural Technology Development Co., Ltd.	Other enterprises under common control by the parent company
Huailai Jingsheng Real Estate Development Co., Ltd.	Other enterprises under common control by the parent company
Hebei Guangsha Property Management Co., Ltd.	Other enterprises under common control by the parent company
Laiyuan Zhongcheng Construction Development Co., Ltd.	Other enterprises under common control by the parent company
Guangan Zhongcheng Real Estate Development Co., Ltd.	Associate of other enterprises under common control by the parent company
Hebei Zitan Real Estate Development Co., Ltd.	Associate of other enterprises under common control by the parent company
Baoding Zhucheng Real Estate Development Co., Ltd.	Associate of other enterprises under common control by the parent company
Chengdu New Era Tiancheng Properties Co., Ltd.	Associate of other enterprises under common control by the parent company
Datang Baoding Heat Supply Co., Ltd.	Associate of other enterprises under common control by the parent company
Hebei Baocang Expressway Co., Ltd.	Associate of other enterprises under common control by the parent company
Hebei Baoyu Surveying Service Co., Ltd.	Subsidiary of other enterprises under common control by the parent company
Sanhe Jinshibang Real Estate Development Co., Ltd.	Subsidiary of other enterprises under common control by the parent company
Key management personnel	Key management personnel of the Group

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(Continued)

4. Major transactions with related parties**(1) Sales or purchases of goods and rendering or receipt of services***Rendering of services to related parties*

	Notes	Six months ended 30 June 2021 (Unaudited)	Six months ended 30 June 2020 (Unaudited)
Xi'an Zhongyuan Real Estate Development Co., Ltd.	(1)a	77,789	25,270
Qinhuangdao Yuanyi Road Construction Management Co., Ltd.	(1)b	61,980	126,388
Hebei Zitan Real Estate Development Co., Ltd.	(1)c	45,839	32,029
Chengde Summer Resort Cultural Industrial Park Co., Ltd.	(1)d	38,970	2,522
Baoding Zhucheng Real Estate Development Co., Ltd.	(1)e	37,207	12,354
Sanhe Jinshibang Real Estate Development Co., Ltd.	(1)f	34,193	7,314
Huailai Jingsheng Real Estate Development Co., Ltd.	(1)g	33,945	33,014
Baoding Taiji Real Estate Development Co., Ltd.	(1)h	28,591	139
Zhongyuan Environmental	(1)i	25,575	34,461

NOTES TO FINANCIAL STATEMENTS

Six months ended 30 June 2021
RMB'000

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(Continued)

4. Major transactions with related parties (Continued)

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

Rendering of services to related parties (Continued)

	Notes	Six months ended 30 June 2021 (Unaudited)	Six months ended 30 June 2020 (Unaudited)
Zhongcheng Real Estate Development Co., Ltd.	(1)j	18,221	6,669
Datang Baoding Heat Supply Co., Ltd.	(1)k	1,693	9,967
Hebei Qianyuan Agricultural Technology Development Co., Ltd.	(1)l	641	2,943
Guangan Zhongcheng Real Estate Development Co., Ltd.	(1)m	277	56
Hebei Baocang Expressway Co., Ltd.	(1)n	201	924
Yizongliangheng	(1)o	81	-
Laiyuan Zhongcheng Construction Development Co., Ltd.	(1)p	-	4,203
Huailai Zhongcheng Real Estate Development Co., Ltd.	(1)q	-	981
		405,203	299,234

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(Continued)

4. Major transactions with related parties (Continued)**(1) Sales or purchases of goods and rendering or receipt of services** (Continued)*Receipt of services from related parties*

	Notes	Six months ended 30 June 2021 (Unaudited)	Six months ended 30 June 2020 (Unaudited)
Baoding Tianli Labor Service Co., Ltd.	(1)r	1,871,620	1,037,800
Hebei Tianbo Construction Technology Co., Ltd.	(1)s	992	698
		1,872,612	1,038,498

(2) Related party leases*As lessee*

	Note	Type of leased asset	Six months ended 30 June 2021 Leasing fees (Unaudited)	Six months ended 30 June 2020 Leasing fees (Unaudited)
Zhongming Zhiye Co., Ltd.	(2)a	Office building	3,286	1,410

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

NOTES TO FINANCIAL STATEMENTS

Six months ended 30 June 2021
RMB'000

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(Continued)

4. Major transactions with related parties (Continued)

(3) Guarantees to/from related parties

Providing guarantees to related parties

Six months ended 30 June 2021 (Unaudited)

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

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(Continued)

4. Major transactions with related parties (Continued)**(3) Guarantees to/from related parties** (Continued)*Receiving guarantees from related parties***Six months ended 30 June 2021 (Unaudited)**

Guarantor	<i>Notes</i>	Amount of guarantees	Inception date of guarantee	Expiration date of guarantee	Whether guarantee has been performed	The actual guaranteed amount
Zhongming Zhiye Co., Ltd.	(3)b	108,000	2018/10/26	2022/10/25	No	-
Chengdu New Era Tiancheng Properties Co., Ltd.	(3)c	399,847	2019/3/26	2021/4/1	Yes	-
Chengde Summer Resort Cultural Industrial Park Co., Ltd.	(3)c	399,847	2019/3/26	2021/4/1	Yes	-
Baoding Taiji Real Estate Development Co., Ltd.	(3)c	399,847	2019/3/26	2021/4/1	Yes	-
Zhongcheng Real Estate Development Co., Ltd.	(3)c	399,847	2019/3/26	2021/4/1	Yes	-
Zhongcheng Real Estate Development Co., Ltd.	(3)c	399,847	2019/5/8	2021/4/1	Yes	-
Zhongming Zhiye Co., Ltd.	(3)c	399,847	2019/4/1	2024/4/1	No	-
Zhongming Zhiye Co., Ltd.	(3)d	200,000	2019/12/30	2023/12/29	No	-
Zhongcheng Real Estate Development Co., Ltd.	(3)e	150,000	2020/6/15	2022/6/8	No	130,000
Zhongru Investment Co., Ltd.	(3)f	70,000	2020/8/18	2024/2/10	No	70,000
Zhongming Zhiye Co., Ltd.	(3)g	160,000	2020/11/17	2025/11/16	No	160,000
Zhongming Zhiye Co., Ltd.	(3)h	100,000	2020/11/25	2021/11/24	No	97,000
Zhongming Zhiye Co., Ltd.	(3)i	25,000	2020/12/22	2023/12/21	No	25,000
Zhongming Zhiye Co., Ltd.	(3)j	140,000	2020/12/28	2025/12/27	No	140,000
Zhongming Zhiye Co., Ltd.	(3)k	200,000	2020/12/31	2024/12/30	No	200,000
Zhongming Zhiye Co., Ltd.	(3)l	151,200	2021/1/1	2021/12/21	No	30,000

NOTES TO FINANCIAL STATEMENTS

Six months ended 30 June 2021
RMB'000

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(Continued)

4. Major transactions with related parties (Continued)

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

Providing guarantees to related parties

2020

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

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(Continued)

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

2020

Guarantor	Notes	Amount of guarantees	Inception date of guarantee	Expiration date of guarantee	Whether guarantee has been performed	The actual guaranteed amount
Zhongming Zhiye Co., Ltd.	(3)b	108,000	2018/10/26	2022/10/25	No	-
Chengdu New Era Tiancheng Properties Co., Ltd.	(3)c	399,847	2019/3/26	2021/4/1	No	239,847
Chengde Summer Resort Cultural Industrial Park Co., Ltd.	(3)c	399,847	2019/3/26	2021/4/1	No	239,847
Baoding Taiji Real Estate Development Co., Ltd.	(3)c	399,847	2019/3/26	2021/4/1	No	239,847
Zhongcheng Real Estate Development Co., Ltd.	(3)c	399,847	2019/3/26	2021/4/1	No	239,847
Zhongcheng Real Estate Development Co., Ltd.	(3)c	399,847	2019/5/8	2021/4/1	No	239,847
Zhongming Zhiye Co., Ltd.	(3)c	399,847	2019/4/1	2024/4/1	No	239,847
Zhongming Zhiye Co., Ltd.	(3)d	200,000	2019/12/30	2023/12/29	No	-
Zhongcheng Real Estate Development Co., Ltd.	(3)e	150,000	2020/6/15	2022/6/8	No	140,000
Zhongru Investment Co., Ltd.	(3)f	70,000	2020/8/18	2024/2/10	No	70,000
Zhongming Zhiye Co., Ltd.	(3)g	160,000	2020/11/17	2025/11/16	No	160,000
Zhongming Zhiye Co., Ltd.	(3)h	100,000	2020/11/25	2021/11/24	No	98,000
Zhongming Zhiye Co., Ltd.	(3)i	25,000	2020/12/22	2023/12/21	No	25,000
Zhongming Zhiye Co., Ltd.	(3)j	140,000	2020/12/28	2025/12/27	No	140,000
Zhongming Zhiye Co., Ltd.	(3)k	200,000	2020/12/31	2024/12/30	No	200,000
Zhongcheng Real Estate Development Co., Ltd.	(3)m	400,000	2018/7/19	2020/7/18	Yes	-
Huilai Jingsheng Real Estate Development Co., Ltd.	(3)m	400,000	2018/7/19	2020/7/18	Yes	-
Zhongcheng Real Estate Development Co., Ltd.	(3)m	400,000	2019/5/8	2020/7/18	Yes	-
Zhongming Zhiye Co., Ltd.	(3)m	400,000	2019/5/8	2020/7/18	Yes	-
Zhongming Zhiye Co., Ltd.	(3)n	100,000	2019/11/25	2020/11/24	Yes	-
Zhongming Zhiye Co., Ltd.	(3)o	150,000	2019/11/25	2020/11/24	Yes	-

NOTES TO FINANCIAL STATEMENTS

Six months ended 30 June 2021
RMB'000

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(Continued)

4. Major transactions with related parties (Continued)

(4) Other related party transactions

	Note	Six months ended 30 June 2021 (Unaudited)	Six months ended 30 June 2020 (Unaudited)
Emolument of key management personnel	(4)a	5,191	3,997

Notes:

- (1) SALES OR PURCHASES OF GOODS AND RENDERING OR RECEIPT OF SERVICES
- (a) During the six months ended 30 June 2021, the Group provided construction services to Xi'an Zhongyuan Real Estate Development Co., Ltd. at the market price of RMB77,789,000 (six months ended 30 June 2020: RMB25,270,000).
- (b) During the six months ended 30 June 2021, the Group provided construction services to Qinhuangdao Yuanyi Road Construction Management Co., Ltd. at the market price of RMB61,980,000 (six months ended 30 June 2020: RMB126,388,000).
- (c) During the six months ended 30 June 2021, the Group provided construction services to Hebei Zitan Real Estate Development Co., Ltd. at the market price of RMB45,839,000 (six months ended 30 June 2020: RMB32,029,000).
- (d) During the six months ended 30 June 2021, the Group provided construction services to Chengde Summer Resort Cultural Industrial Park Co., Ltd. at the market price of RMB38,970,000 (six months ended 30 June 2020: RMB2,522,000).
- (e) During the six months ended 30 June 2021, the Group provided construction services to Baoding Zhucheng Real Estate Development Co., Ltd. at the market price of RMB37,207,000 (six months ended 30 June 2020: RMB12,354,000).

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(Continued)

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

- (1) SALES OR PURCHASES OF GOODS AND RENDERING OR RECEIPT OF SERVICES
(Continued)
- (f) During the six months ended 30 June 2021, the Group provided construction services to Sanhe Jinshibang Real Estate Development Co., Ltd. at the market price of RMB34,193,000 (six months ended 30 June 2020: RMB7,314,000).
 - (g) During the six months ended 30 June 2021, the Group provided construction services to Huilai Jingsheng Real Estate Development Co., Ltd. at the market price of RMB33,945,000 (six months ended 30 June 2020: RMB33,014,000).
 - (h) During the six months ended 30 June 2021, the Group provided construction services to Baoding Taiji Real Estate Development Co., Ltd. at the market price of RMB28,591,000 (six months ended 30 June 2020: RMB139,000).
 - (i) During the six months ended 30 June 2021, the Group provided construction services to Zhongyuan Environmental at the market price of RMB25,575,000 (six months ended 30 June 2020: RMB34,461,000).
 - (j) During the six months ended 30 June 2021, the Group provided construction services to Zhongcheng Real Estate Development Co., Ltd. at the market price of RMB18,221,000 (six months ended 30 June 2020: RMB6,669,000).
 - (k) During the six months ended 30 June 2021, the Group provided construction services to Datang Baoding Heat Supply Co., Ltd. at the market price of RMB1,693,000 (six months ended 30 June 2020: RMB9,967,000).
 - (l) During the six months ended 30 June 2021, the Group provided construction services to Hebei Qianyuan Agricultural Technology Development Co., Ltd. at the market price of RMB641,000 (six months ended 30 June 2020: RMB2,943,000).
 - (m) During the six months ended 30 June 2021, the Group provided construction services to Guangan Zhongcheng Real Estate Development Co., Ltd. at the market price of RMB277,000 (six months ended 30 June 2020: RMB56,000).

NOTES TO FINANCIAL STATEMENTS

Six months ended 30 June 2021
RMB'000

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(Continued)

4. Major transactions with related parties (Continued)

(4) Other related party transactions (Continued)

- (1) SALES OR PURCHASES OF GOODS AND RENDERING OR RECEIPT OF SERVICES (Continued)
- (n) During the six months ended 30 June 2021, the Group provided construction services to Hebei Baocang Expressway Co., Ltd. at the market price of RMB201,000 (six months ended 30 June 2020: RMB924,000).
 - (o) During the six months ended 30 June 2021, the Group provided construction services to Yizongliangheng at the market price of RMB81,000 (six months ended 30 June 2020: Nil).
 - (p) During the six months ended 30 June 2021, the Group did not provide construction services to Laiyuan Zhongcheng Construction Development Co., Ltd. (six months ended 30 June 2020: RMB4,203,000).
 - (q) During the six months ended 30 June 2021, the Group did not provide construction services to Huailai Zhongcheng Real Estate Development Co., Ltd. (six months ended 30 June 2020: RMB981,000).
 - (r) During the six months ended 30 June 2021, the Group received labour services from Baoding Tianli Labor Service Co., Ltd. at the market price of RMB1,871,620,000 (six months ended 30 June 2020: RMB1,037,800,000).
 - (s) During the six months ended 30 June 2021, the Group received labour services from Hebei Tianbo Construction Technology Co., Ltd. at the market price of RMB992,000 (six months ended 30 June 2020: RMB698,000).
- (2) RELATED PARTY LEASES
- (a) During the six months ended 30 June 2021, the Group leased an office building from Zhongming Zhiye Co., Ltd. and incurred leasing fees of RMB3,286,000 (six months ended 30 June 2020: RMB1,410,000) under the lease contract.

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(Continued)

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

(3) GUARANTEES TO/FROM RELATED PARTIES

- (a) The Group provided a guarantee with an amount of RMB600,000,000 for Qinhuangdao Yuanyi Road Construction Management Co., Ltd. at nil consideration from 29 August 2019 to 20 December 2036, and the actual guaranteed amount as of 30 June 2021 was RMB127,500,000 (2020: amount of guarantee: RMB600,000,000, actual guaranteed amount: RMB127,500,000).
- (b) Zhongming Zhiye Co., Ltd. provided a guarantee with an amount of RMB108,000,000 for the Group at nil consideration from 26 October 2018 to 25 October 2022, the Group has repaid the borrowings as of 30 June 2021 but the guarantee has not been fully performed (2020: amount of guarantee: RMB108,000,000, actual guaranteed amount: Nil).
- (c) From 26 March 2019 to 1 April 2021, Chengdu New Era Tiancheng Properties Co., Ltd., Chengde Summer Resort Cultural Industrial Park Co., Ltd., Baoding Taiji Real Estate Development Co., Ltd. and Zhongcheng Real Estate Development Co., Ltd. provided the inventory, land use right and construction in progress held by them as collateral for mortgage guarantee of the Group; from 8 May 2019 to 1 April 2021, Zhongcheng Real Estate Development Co., Ltd. provided the 51% equity interests in Huailai Jingsheng Real Estate Development Co., Ltd. and its derived equity as collateral for pledge guarantee; from 1 April 2019 to 1 April 2024, Zhongming Zhiye Co., Ltd. provided a credit guarantee. Together, the above companies provided guarantees for the debt of RMB399,847,000 of the Group. The Group has repaid the borrowings as of 30 June 2021, and the guarantees have been performed except for those provided by Zhongming Zhiye Co., Ltd.

From 26 March 2019 to 1 April 2021, Chengdu New Era Tiancheng Properties Co., Ltd., Chengde Summer Resort Cultural Industrial Park Co., Ltd., Baoding Taiji Real Estate Development Co., Ltd. and Zhongcheng Real Estate Development Co., Ltd. provided the inventory, land use right and construction in progress held by them as collateral for mortgage guarantees of the Group; from 8 May 2019 to 1 April 2021, Zhongcheng Real Estate Development Co., Ltd. provided the 51% equity interests in Huailai Jingsheng Real Estate Development Co., Ltd. and its derived equity as collateral for pledge guarantee; from 1 April 2019 to 1 April 2024, Zhongming Zhiye provided a credit guarantees. Together, the above companies provided guarantees for the debt of RMB399,847,000 of the Group. The actual guaranteed amount for 2020 was RMB239,847,000.

NOTES TO FINANCIAL STATEMENTS

Six months ended 30 June 2021
RMB'000

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(Continued)

4. Major transactions with related parties (Continued)

(4) Other related party transactions (Continued)

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

- (d) Zhongming Zhiye Co., Ltd. provided a guarantee with an amount of RMB200,000,000 for the Group at nil consideration from 30 December 2019 to 29 December 2023, the Group has repaid the borrowings as of 30 June 2021 but the guarantee has not been fully performed (2020: amount of guarantee: RMB200,000,000, actual guaranteed amount: Nil).
- (e) Zhongcheng Real Estate Development Co., Ltd. provided a guarantee with an amount of RMB150,000,000 for the Group at nil consideration from 15 June 2020 to 8 June 2022, and the actual guaranteed amount as of 30 June 2021 was RMB130,000,000 (2020: amount of guarantee: RMB150,000,000, actual guaranteed amount: RMB140,000,000).
- (f) Zhongru Investment Co., Ltd. provided a guarantee with an amount of RMB70,000,000 for the Group at nil consideration from 18 August 2020 to 10 February 2024, and the actual guaranteed amount as of 30 June 2021 was RMB70,000,000 (2020: amount of guarantee: RMB70,000,000, actual guaranteed amount: RMB70,000,000).
- (g) Zhongming Zhiye Co., Ltd. provided a guarantee with an amount of RMB160,000,000 for the Group at nil consideration from 17 November 2020 to 16 November 2025, and the actual guaranteed amount as of 30 June 2021 was RMB160,000,000 (2020: amount of guarantee: RMB160,000,000, actual guaranteed amount: RMB160,000,000).
- (h) Zhongming Zhiye Co., Ltd. provided a guarantee with an amount of RMB100,000,000 for the Group at nil consideration from 25 November 2020 to 24 November 2021, and the actual guaranteed amount as of 30 June 2021 was RMB97,000,000 (2020: amount of guarantee: RMB100,000,000, actual guaranteed amount for the year: RMB98,000,000).
- (i) Zhongming Zhiye Co., Ltd. provided a guarantee with an amount of RMB25,000,000 for the Group at nil consideration from 22 December 2020 to 21 December 2023, and the actual guaranteed amount as of 30 June 2021 was RMB25,000,000 (2020: amount of guarantee: RMB25,000,000, actual guaranteed amount for the year: RMB25,000,000).
- (j) Zhongming Zhiye Co., Ltd. provided a guarantee with an amount of RMB140,000,000 for the Group at nil consideration from 28 December 2020 to 27 December 2025, and the actual guaranteed amount as of 30 June 2021 was RMB140,000,000 (2020: amount of guarantee: RMB140,000,000, actual guaranteed amount for the year: RMB140,000,000).

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(Continued)

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

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

- (k) Zhongming Zhiye Co., Ltd. provided a guarantee with an amount of RMB200,000,000 for the Group at nil consideration from 31 December 2020 to 30 December 2024, and the actual guaranteed amount as of 30 June 2021 was RMB200,000,000 (2020: amount of guarantee: RMB200,000,000, actual guaranteed amount for the year: RMB200,000,000).
- (l) Zhongming Zhiye Co., Ltd. provided a guarantee with an amount of RMB151,200,000 for the Group at nil consideration from 1 January 2021 to 21 December 2021, and the actual guaranteed amount as of 30 June 2021 was RMB30,000,000 (2020: Nil).
- (m) As of 31 December 2020, the mortgage guarantee provided by Zhongcheng Real Estate Development Co., Ltd. and Huilai Jingsheng Real Estate Development Co., Ltd. for the Group from 19 July 2018 to 18 July 2020 have been performed.
- As of 31 December 2020, the pledge guarantee provided by Zhongcheng Real Estate Development Co., Ltd. and Zhongming Zhiye Co., Ltd. for the Group from 8 May 2019 to 18 July 2020 have been performed.
- (n) Zhongming Zhiye Co., Ltd. provided a guarantee with an amount of RMB100,000,000 for the Group at nil consideration from 25 November 2019 to 24 November 2020, and such guarantee has been performed as of 31 December 2020.
- (o) Zhongming Zhiye Co., Ltd. provided a guarantee with an amount of RMB150,000,000 for the Group at nil consideration from 25 November 2019 to 24 November 2020, and such guarantee has been performed as of 31 December 2020.

(4) OTHER MAJOR RELATED TRANSACTIONS

- (a) During the six months ended 30 June 2021, the total emolument of key management personnel incurred by the Group amounted to RMB5,191,000 (six months ended 30 June 2020: RMB3,997,000).

NOTES TO FINANCIAL STATEMENTS

Six months ended 30 June 2021
RMB'000

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(Continued)

5. Balances of amounts due from related parties

(1) Accounts receivable

	30 June 2021 (Unaudited)		31 December 2020	
	Book balance	Bad debt allowance	Book balance	Bad debt allowance
Baoding Zhucheng Real Estate Development Co., Ltd.	54,187	792	54,131	319
Qinhuangdao Yuanyi Road Construction Management Co., Ltd.	14,859	220	-	-
Zhongyuan Environmental Chengdu New Era Tiancheng Properties Co., Ltd.	13,055	106	-	-
Zhongcheng Real Estate Development Co., Ltd.	9,557	1,535	2,518	80
Huilai Jingsheng Real Estate Development Co., Ltd.	8,481	89	3,208	1,019
Xi'an Zhongyuan Real Estate Development Co., Ltd.	6,636	54	66	-
Chengde Summer Resort Cultural Industrial Park Co., Ltd.	1,700	14	483	15
Baoding Taiji Real Estate Development Co., Ltd.	598	5	200	1
Baoding Taiji Real Estate Development Co., Ltd.	387	3	3	-
Datang Baoding Heat Supply Co., Ltd.	-	-	1,600	9
Sanhe Baolan Heat Co., Ltd.	-	-	369	2
Hebei Baocang Expressway Co., Ltd.	-	-	148	-
Hebei Qianyuan Agricultural Technology Development Co., Ltd.	-	-	50	-
	109,460	2,818	62,776	1,445

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(Continued)

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

	30 June 2021 (Unaudited)		31 December 2020	
	Book balance	Bad debt allowance	Book balance	Bad debt allowance
Yizongliangheng	161,217	1,306	161,139	950
Chengde Summer Resort Cultural Industrial Park Co., Ltd.	147,875	1,198	134,870	811
Qinhuangdao Yuanyi Road Construction Management Co., Ltd.	143,964	1,166	122,038	972
Guangan Zhongcheng Real Estate Development Co., Ltd.	122,781	995	122,505	722
Xi'an Zhongyuan Real Estate Development Co., Ltd.	106,847	865	106,275	627
Huailai Jingsheng Real Estate Development Co., Ltd.	47,156	382	84,980	501
Zhongcheng Real Estate Development Co., Ltd.	36,670	297	42,089	288
Baoding Zhucheng Real Estate Development Co., Ltd.	32,866	266	33,204	196
Sanhe Jinshibang Real Estate Development Co., Ltd.	30,776	249	19,287	114
Baoding Taiji Real Estate Development Co., Ltd.	25,823	209	5,924	35
Zhongyuan Environmental	21,853	177	26,366	155
Huailai Zhongcheng Real Estate Development Co., Ltd.	11,192	91	18,535	109
Bozhou Xiangju	9,906	80	21,906	129
Hebei Qianyuan Agricultural Technology Development Co., Ltd.	8,439	68	8,740	52
Datang Baoding Heat Supply Co., Ltd.	4,352	35	4,576	20
Laiyuan Zhongcheng Construction Development Co., Ltd.	3,679	30	4,179	25
Sanhe Baolan Heat Co., Ltd.	2,030	16	2,261	13
Hebei Baocang Expressway Co., Ltd.	327	3	434	3
Hebei Zitan Real Estate Development Co., Ltd.	126	1	246	1
Chengdu New Era Tiancheng Properties Co., Ltd.	-	-	7,039	41
	917,879	7,434	926,593	5,764

NOTES TO FINANCIAL STATEMENTS

Six months ended 30 June 2021
RMB'000

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(Continued)

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

(3) Other receivables

	30 June 2021 (Unaudited)		31 December 2020	
	Book balance	Bad debt allowance	Book balance	Bad debt allowance
Hebei Zitan Real Estate Development Co., Ltd.	50,000	405	50,000	295
Huailai Zhongcheng Real Estate Development Co., Ltd.	29,515	239	7,493	51
Huailai Jingsheng Real Estate Development Co., Ltd.	19,026	154	34	-
Zhongcheng Real Estate Development Co., Ltd.	6,720	54	2,091	11
Chengde Summer Resort Cultural Industrial Park Co., Ltd.	3,866	31	3,271	19
Baoding Zhucheng Real Estate Development Co., Ltd.	2,197	18	2,793	16
Xi'an Zhongyuan Real Estate Development Co., Ltd.	1,573	13	1,573	9
Hebei Guangsha Property Management Co., Ltd.	4	-	-	-
Sanhe Jinshibang Real Estate Development Co., Ltd.	2	-	-	-
	112,903	914	67,255	401

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(Continued)

5. Balances of amounts due from related parties (Continued)**(4) Accounts payable**

	30 June 2021 (Unaudited)	31 December 2020
Baoding Tianli Labor Service Co., Ltd.	1,004,431	1,108,736
Hebei Tianbo Construction Technology Co., Ltd.	1,769	1,772
Hebei Construction Group Qianqiu Management Co., Ltd.	480	480
Hebei Baoyu Surveying Service Co., Ltd.	84	84
	1,006,764	1,111,072

(5) Other payables

	30 June 2021 (Unaudited)	31 December 2020
Baoding Zhucheng Real Estate Development Co., Ltd.	121,101	221,238
Key management personnel	12,976	24,580
Hebei Qianyuan Agricultural Technology Development Co., Ltd.	10,000	10,000
Zhongming Zhiye Co., Ltd.	6,000	2,714
Hebei Construction Group Qianqiu Management Co., Ltd.	2,458	1,863
Qianbao Investment Co., Ltd.	-	8,600
	152,535	268,995

NOTES TO FINANCIAL STATEMENTS

Six months ended 30 June 2021
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X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(Continued)

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

(6) Contract liabilities

	30 June 2021 (Unaudited)	31 December 2020
Baoding Zhucheng Real Estate Development Co., Ltd.	20,729	22,960
Zhongcheng Real Estate Development Co., Ltd.	10,002	20,768
Qinhuangdao Yuanyi Road Construction Management Co., Ltd.	6,662	-
Hebei Zitan Real Estate Development Co., Ltd.	4,536	30,235
Xi'an Zhongyuan Real Estate Development Co., Ltd.	2,551	-
Datang Baoding Heat Supply Co., Ltd.	1,604	1,955
Hebei Baocang Expressway Co., Ltd.	24	-
Chengde Summer Resort Cultural Industrial Park Co., Ltd.	-	17,140
	46,108	93,058

XI. CONTINGENCIES

	30 June 2021 (Unaudited)	31 December 2020 <i>Notes</i>
Contingent liabilities arising from providing external guarantees	144,872	153,294 <i>Note 1</i>
Contingent liabilities arising from unresolved litigation or arbitration	6,680	4,060 <i>Note 2</i>
	151,552	157,354

Note 1: As at 30 June 2021, the principal and interest of the banking facilities granted to third parties subject to guarantees given to the banks by the Group amounted to RMB144,872,000 (31 December 2020: RMB153,294,000), and other current liabilities related to financial guarantee contracts amounted to RMB22,859,000 (31 December 2020: RMB23,311,000). The Group assessed overdue status of relevant borrowings, financial position of relevant debtors, and economic condition in the debtor's industry as at each balance sheet date, and was of view that the relevant credit risk of such part of financial guarantee contracts has not increased significantly since initial recognition. Therefore, the loss allowance for the Group's financial guarantee contracts is not determined based on the amount of lifetime expected credit losses, but measured at the amount of the future 12-month expected credit losses of the above financial guarantee contracts. During the six months ended 30 June 2021, there was no change in the Group's assessment method and major assumptions. Based on the assessment of the management of the Group, there was no significant expected impairment provision made for the relevant financial guarantees.

Note 2: The Group is involved in disputes, litigations or claims with customers, subcontractors, suppliers and other parties in the course of its operations. After consultation with the relevant legal advisers and after management's careful estimation of the outcome of such outstanding disputes, litigations or claims, the Group has no disputes, litigations or claims that are likely to result in losses. No provision will be made for the abovementioned outstanding disputes, litigations and claims for which the ultimate outcome cannot be reasonably estimated or for which, in the opinion of management, it is not probable that such disputes, litigations or claims will have a material adverse effect on the Group's results of operations or financial position.

NOTES TO FINANCIAL STATEMENTS

Six months ended 30 June 2021
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XII. LEASES

1. As lessor

The Group leases out certain buildings for a term of 20 years which constitutes operating leases. Pursuant to the lease contracts, rents are adjusted annually based on prevailing market rates. During the six months ended 30 June 2021, the Group's income derived from leases of buildings was RMB1,276,000 (six months ended 30 June 2020: RMB1,308,000). Leased buildings are presented as investment properties.

The Group also leases out certain idle machinery equipment for a term within 1 year, which constitutes an operating lease. During the six months ended 30 June 2021, the Group's income derived from the lease of machinery equipment was RMB13,720,000 (six months ended 30 June 2020: RMB14,331,000).

Operating leases:

Profit or loss related to operating leases are as follows:

	Six months ended 30 June 2021 (Unaudited)	Six months ended 30 June 2020 (Unaudited)
Lease income	14,996	15,639

XII. LEASES (Continued)**1. As lessor** (Continued)**Operating leases:** (Continued)

Pursuant to the lease contracts entered into with the lessees, the minimum lease payments of non-cancellable leases are as follows:

	30 June 2021 (Unaudited)	31 December 2020
Within 1 year (including 1 year)	3,997	4,914
1 to 2 years (including 2 years)	1,273	1,563
	5,270	6,477

As at 30 June 2021, the carrying amount of investment properties under operating leases was RMB137,900,000 (31 December 2020: RMB136,700,000).

2. As lessee

	Six months ended 30 June 2021 (Unaudited)	Six months ended 30 June 2020 (Unaudited)
Interest expense on lease liabilities	1,022	2,670
Short-term lease expense under the simplified approach through profit or loss	5,614	6,190
Revenue from subleasing the right-of-use assets	4,146	6,936
Total cash outflow in relation to leases	11,783	11,534
	22,565	27,330

Assets leased by the Group include buildings and machinery equipment for operation which generally have a lease term of 3 months to 18 years. Lease contracts usually provide that the Group shall not sublease the leased assets.

NOTES TO FINANCIAL STATEMENTS

Six months ended 30 June 2021

RMB'000

XII. LEASES (Continued)

2. As lessee (Continued)

Other lease information

For details of right-of-use assets, please refer to Note VI-12; for simplified approach regarding short-term lease and low-value asset leases, please refer to Note III-23; and for details of lease liabilities, please refer to Note VI-18 and Note VIII-1.

XIII. COMMITMENTS

As at 30 June 2021, the Group did not have any material capital commitment (31 December 2020: RMB1,297,000).

XIV. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by resolution of the Board of the Company on 31 August 2021.

DEFINITIONS

“AGM”	annual general meeting of the Company
“Articles of Association”	the articles of association of the Company, as amended, supplemented or otherwise modified from time to time
“Audit Committee”	the Audit Committee of the Board
“Board” or “Board of Directors”	the board of Directors of the Company
“Board of Supervisors”	the board of Supervisors of the Company
“China” or “PRC”	the People’s Republic of China, excluding, for the purpose of this interim report, Hong Kong, Macau and Taiwan
“Company”	Hebei Construction Group Corporation Limited, a joint stock company incorporated in the PRC with limited liability on 7 April 2017, whose H Shares were listed on the Main Board of the Hong Kong Stock Exchange on 15 December 2017 (Stock Code: 1727). Unless the context otherwise requires, it shall include its predecessor, Hebei Construction Group Co., Ltd. (河北建設集團有限公司) (a limited liability company established under the laws of the PRC on 29 September 1997)
“Company Law”	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 Tenth National People’s Congress on 27 October 2005 and effective on 1 January 2006, as amended, supplemented or otherwise modified from time to time, which was further amended on 28 December 2013 and became effective on 1 March 2014, and lastly amended on 26 October 2018 and became effective on the same day
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules and as of the Latest Practicable Date, refers to Mr. Li Baoyuan, Qianbao Investment and Zhongru Investment

DEFINITIONS

“Corporate Governance Code”	the corporate governance code set out in Appendix 14 Corporate Governance Code and Corporate Governance Report of the Listing Rules, as amended, supplemented or otherwise modified from time to time
“Director(s)”	the director(s) of the Company
“Group” or “we” or “us” 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
“H Share(s)”	overseas listed foreign Shares in the ordinary Shares of the Company with a nominal value of RMB1.00 each, which are to be subscribed for and traded in HK dollars and are to be listed on the Hong Kong Stock Exchange
“HK\$” or “HK dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange” or “Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Latest Practicable Date”	8 September 2021, being the latest practicable date for the purpose of ascertaining certain information contained in this interim report
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time

“Prospectus”	the prospectus of the Company dated 5 December 2017
“Qianbao Investment”	Qianbao Investment Co., Ltd. (乾寶投資有限責任公司) (previously known as Baoyuan Investment Co., Ltd. (寶元投資有限責任公司)), a company incorporated in the PRC on 19 April 2010 with limited liability. As of the Latest Practicable Date, Qianbao Investment directly and indirectly through Zhongru Investment held approximately 73.8% equity interest of the Company in aggregate and is a Controlling Shareholder of the Company
“Reporting Period”	the period of six months commencing on 1 January 2021 and ending on 30 June 2021
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“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)”	holder(s) of the Share(s) of the Company
“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

DEFINITIONS

“Zhongming Zhiye”	Zhongming Zhiye Co., Ltd. (中明置業有限公司), a company incorporated in the PRC on 1 December 2016 with limited liability. As of the Latest Practicable Date, Zhongming Zhiye was owned as to 92.5% and 7.5% by Zhongru Investment and Qianbao Investment, the Controlling Shareholders of the Company, respectively
“Zhongru Investment”	Zhongru Investment Co., Ltd. (中儒投資股份有限公司) (previously known as Baoding Zhongyang Investment Co., Ltd. (保定中陽投資股份有限公司)), a joint stock company incorporated in the PRC on 2 August 2010. As of the Latest Practicable Date, Zhongru Investment directly held approximately 68.3% equity interest of the Company and is a Controlling Shareholder of the Company
“%”	per cent.



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