河北建設集團股份有限公司

HEBEI CONSTRUCTION GROUP CORPORATION LIMITED

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

(Stock Code: 1727)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2018

FINANCIAL HIGHLIGHTS

- For the six months ended 30 June 2018, the operating income was RMB19,220 million, which represented a decrease of 4.1% as compared with that of the corresponding period of 2017.
- For the six months ended 30 June 2018, the profit before income tax was RMB510 million, which represented an increase of 2.4% as compared with that of the corresponding period of 2017.
- For the six months ended 30 June 2018, the net profit attributable to equity holders of the Company amounted to RMB550 million, which represented an increase of 9.6% as compared with that of the corresponding period of 2017.
- For the six months ended 30 June 2018, the earnings per share were RMB0.3, which represented a decrease of RMB0.1 as compared with that of the corresponding period of 2017.

The board of directors (the "**Board**") of Hebei Construction Group Corporation Limited (the "**Company**") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2018, together with the comparative figures for the corresponding period in 2017. The results have been prepared in accordance with the International Accounting Standard ("**IAS**") 34, "Interim Financial Reporting" issued by the International Accounting Standards Board and the disclosure requirements under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June

	Notes	2018 *RMB'000* (Unaudited)	2017 *RMB'000* (Audited)
CONTINUING OPERATIONS			
Revenue	*4*	**19,215,183**	20,027,602
Cost of sales		**(18,288,173)**	(18,961,027)
Gross profit		**927,010**	1,066,575
Other income and gains	*5*	**158,832**	115,249
Selling and distribution expenses		**(14,180)**	(23,170)
Administrative expenses		**(188,236)**	(212,240)
Other operating expenses		**(34,526)**	(160,294)
Finance costs		**(121,008)**	(104,726)
Share of losses of associates:		**(24,382)**	(208)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	*6*	**703,510**	681,186
Income tax expense	*7*	**(191,725)**	(208,321)
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		**511,785**	472,865
DISCONTINUED OPERATIONS			
Profit for the period from discontinued operations		**–**	26,722
PROFIT FOR THE PERIOD		**511,785**	499,587
Attributable to:			
Owners of the parent		**551,334**	503,236
Non-controlling interests		**(39,549)**	(3,649)
		511,785	499,587
Earnings per share attributable to ordinary equity holders of the parent:	*9*		
Basic			
(expressed in RMB per share)			
– For profit for the period		**0.3**	0.4
– For profit from continuing operations for the period		**0.3**	0.4

INTERIM CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the six months ended 30 June

	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
PROFIT FOR THE PERIOD	**511,785**	499,587
OTHER COMPREHENSIVE INCOME OR LOSS		
Change in fair value of financial assets at fair value through other comprehensive income	**60,700**	–
Income tax effect	**(15,175)**	–
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**45,525**	–
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**557,310**	499,587
Attributable to:		
Owners of the parent	**596,859**	503,236
Non-controlling interests	**(39,549)**	(3,649)
	557,310	499,587

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**As at 30 June 2018** **_RMB'000_** **(Unaudited)**	As at 31 December 2017 *RMB'000* (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**559,287**	434,229
Investment properties		**136,346**	135,439
Prepaid land lease payments		**36,064**	36,495
Investments in associates		**314,268**	318,650
Financial assets at fair value through other comprehensive income		**549,200**	–
Available-for-sale investments		**–**	488,500
Deferred tax assets		**280,593**	255,925
Trade receivables		**285,616**	451,853
Contract assets		**245,889**	–
Receivables under service concession arrangements		**–**	42,278
Total non-current assets		**2,407,263**	2,163,369
CURRENT ASSETS			
Prepaid land lease payments		**863**	863
Inventories		**86,871**	77,782
Contract assets		**30,735,904**	–
Amounts due from contract customers		**–**	27,744,640
Properties under development		**1,679,010**	2,574,039
Completed properties held for sale		**790,703**	741,447
Trade and bills receivables		**6,463,687**	6,137,059
Prepayments, deposits and other receivables		**5,427,683**	5,808,804
Pledged deposits		**538,688**	222,640
Cash and cash equivalents		**4,391,403**	5,288,019
		50,114,812	48,595,293
Assets classified as held for sale	*10*	**1,417,423**	–
Total current assets		**51,532,235**	48,595,293

	Notes	**As at 30 June 2018** **RMB'000** **(Unaudited)**	As at 31 December 2017 RMB'000 (Audited)
CURRENT LIABILITIES			
Trade and bills payables		**33,156,811**	30,849,740
Contract liabilities		**4,922,366**	–
Amounts due to contract customers		**–**	4,374,621
Other payables, advances from customers and accruals		**5,124,744**	7,074,032
Interest-bearing bank and other borrowings		**2,082,794**	1,847,362
Tax payable		**536,569**	565,644
Financial guarantee contracts		**14,738**	14,174
		45,838,022	44,725,573
Liabilities directly associated with the assets classified as held for sale	*10*	**1,451,617**	–
Total current liabilities		**47,289,639**	44,725,573
NET CURRENT ASSETS		**4,242,596**	3,869,720
TOTAL ASSETS LESS CURRENT LIABILITIES		**6,649,859**	6,033,089
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**1,629,560**	1,721,780
Total non-current liabilities		**1,629,560**	1,721,780
Net assets		**5,020,299**	4,311,309
EQUITY			
Equity attributable to owners of the parent			
Share capital	*11*	**1,761,384**	1,733,334
Reserves		**2,839,842**	2,169,353
		4,601,226	3,902,687
Non-controlling interests		**419,073**	408,622
Total equity		**5,020,299**	4,311,309

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

		Attributable to owners of the parent								
	Notes	**Share capital** *RMB'000*	**Capital reserve*** *RMB'000*	**Other reserve*** *RMB'000*	**Special reserve*/**** *RMB'000*	**Statutory surplus reserve*** *RMB'000*	**Retained profits*** *RMB'000*	**Total** *RMB'000*	**Non-controlling interests** *RMB'000*	**Total equity** *RMB'000*
At 1 January 2018 (audited)		**1,733,334**	**1,388,526**	**–**	**–**	**174,557**	**606,270**	**3,902,687**	**408,622**	**4,311,309**
Profit for the period		**–**	**–**	**–**	**–**	**–**	**551,334**	**551,334**	**(39,549)**	**511,785**
Change in fair value of financial assets at fair value through other comprehensive income, net of tax		**–**	**–**	**45,525**	**–**	**–**	**–**	**45,525**	**–**	**45,525**
Over-allotment of IPO	*11*	**28,050**	**73,630**	**–**	**–**	**–**	**–**	**101,680**	**–**	**101,680**
Capital contribution by non-controlling shareholders		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**50,000**	**50,000**
Appropriation to statutory surplus reserve		**–**	**–**	**–**	**–**	**30,606**	**(30,606)**	**–**	**–**	**–**
Transfer to special reserve		**–**	**–**	**–**	**297,696**	**–**	**(297,696)**	**–**	**–**	**–**
Utilisation of special reserve		**–**	**–**	**–**	**(297,696)**	**–**	**297,696**	**–**	**–**	**–**
At 30 June 2018 (unaudited)		**1,761,384**	**1,462,156**	**45,525**	**–**	**205,163**	**1,126,998**	**4,601,226**	**419,073**	**5,020,299**

* As at 30 June 2018, these reserve accounts comprise the consolidated reserves of RMB2,839,842,000 (31 December 2017: RMB2,169,353,000), in the consolidated statements of financial position.

** In preparation of the financial statements, the Group has appropriated certain amount of retained profits to a special reserve fund for six months ended 30 June 2018, for safety production expense purposes as required by directives issued by relevant PRC government authorities. The Group charged the safety production expense to profit or loss when such expense was incurred, and at the same time an equal amount of such special reserve fund was utilised and transferred back to retained earnings until such special reserve was fully utilised.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

		Attributable to owners of the parent							
	Notes	Share capital *RMB'000*	Capital reserve* *RMB'000*	Special reserve*/** *RMB'000*	Statutory surplus reserve* *RMB'000*	Retained profits* *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
At 1 January 2017 (audited)		1,200,000	–	–	328,557	1,305,678	2,834,235	255,443	3,089,678
Profit and total comprehensive income for the period		–	–	–	–	503,236	503,236	(3,649)	499,587
Contribution by non-controlling interests through acquisition		–	–	–	–	–	–	9,800	9,800
Disposal of discontinued operations		–	–	–	–	–	–	(93,862)	(93,862)
Capital contribution by shareholders of the Company		100,000	–	–	–	–	100,000	–	100,000
Acquisition of non-controlling interests		–	–	–	–	–	–	(2,000)	(2,000)
Capital contribution by non-controlling shareholders		–	–	–	–	–	–	20,000	20,000
Appropriation to statutory surplus reserve		–	–	–	70,385	(70,385)	–	–	–
Dividends declared	*8*	–	–	–	–	(1,151,400)	(1,151,400)	(3,472)	(1,154,872)
Capitalisation of retained profits and statutory surplus reverse		–	254,254	–	(253,511)	(743)	–	–	–
Transfer to special reserve		–	–	385,139	–	(385,139)	–	–	–
Utilisation of special reserve		–	–	(385,139)	–	385,139	–	–	–
At 30 June 2017 (audited)		1,300,000	254,254	–	145,431	586,386	2,286,071	182,260	2,468,331

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Hebei Construction Group Corporation Limited ("**the Company**") is a joint stock company with limited liability established in the People's Republic of China (the "**PRC**"). The registered office address of the Company is No.125 Lugang Road, Baoding, the PRC.

During the six months ended 30 June 2018, the Group's principal activities were as follows:

- Construction contracting
- Property development and other businesses

In the opinion of the directors, the holding company and the ultimate holding company of the Company is Zhongru Investment Co., Ltd., which was incorporated in Baoding, China.

2.1 BASIS OF PREPARATION

The unaudited interim condensed consolidated financial statements for the six months ended 30 June 2018 have been prepared in accordance with International Accounting Standard ("**IAS**") 34 Interim Financial Reporting and the disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). It was approved and authorised for issue by the board of directors on 30 August 2018.

The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2017.

The unaudited interim condensed consolidated financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousands, except when otherwise indicated.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised IFRSs for the first time for the current period's financial statements.

Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers
Amendments to IFRS 15	Clarifications to IFRS 15 Revenue from Contracts with Customers
Amendments to IAS 40	Transfers of Investment Property
IFRIC 22	Foreign Currency Transactions and Advance Consideration
Annual Improvements 2014-2016 Cycle	Amendments to IFRS 1 and IAS 28

The Group applies, for the first time, IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments. As required by IAS 34, the nature and effect of these changes are disclosed below.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group adopted IFRS 15 using the modified retrospective method of adoption. The effect of adopting IFRS 15 is, as follows:

- The comparative information for each of the primary financial statements would be presented based on the requirements of IAS 11, IAS 18 and related Interpretations;

- The cumulative catch-up adjustment to the opening balance of retained profits (or other components of equity) as at 1 January 2018, either for all contracts or only for contracts that are not completed at the date of initial application, would be not significant and therefore not retrospected in the consolidated statement of changes in equity for the six months ended 30 June 2018;

- As required for the interim condensed consolidated financial statements, the Group disaggregated revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. The Group also disclosed information about the relationship between the disclosure of disaggregated revenue and revenue information disclosed for each reportable segment. Refer to note 3 for the disclosure on disaggregated revenue;

- Disclosures for the comparative period in the notes to the financial statements would also follow the requirements of IAS 11, IAS 18 and related Interpretations. As a result, the disclosure of disaggregated revenue in note 3 would not include comparative information under IFRS 15;

- Except the reclassification of amounts due from customers for contract works and receivables under service concession arrangements to contract assets, amounts due to customers for contract works and advances from customers to contract liabilities and further disclosure set as related note in the interim financial statements, the directors believe that the application of IFRS 15 has no significant impact on the amounts reported set out in the interim financial statements.

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group has not restated comparative information for 2017 for financial instruments in the scope of IFRS 9. Therefore, the comparative information for 2017 is reported under IAS 39 and is not comparable to the information presented for 2018. Differences arising from the adoption of IFRS 9 have been recognised directly in retained earnings as of 1 January 2018.

Changes to classification and measurement

Except for certain trade receivables, under IFRS 9, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Under IFRS 9, debt financial instruments are subsequently measured at fair value through profit or loss (FVPL), amortised cost, or fair value through other comprehensive income (FVOCI). The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the "**SPPI criterion**").

The new classification and measurement of the Group's debt financial assets are, as follows:

All the Group's debt financial assets are Debt instruments at amortised cost for financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion. This category includes the Group's cash and cash equivalents, pledged deposits, trade and bills receivables and financial assets included in prepayments, deposits and other receivables.

Other financial assets are classified and subsequently measured, as follows:

All the Group's equity financial assets are Equity instruments at FVOCI, with no recycling of gains or losses to profit or loss on derecognition. This category only includes equity instruments, which the Group intends to hold for the foreseeable future and which the Group has irrevocably elected to so classify upon initial recognition or transition. The Group classified its unquoted equity instruments as equity instruments at FVOCI. Equity instruments at FVOCI are not subject to an impairment assessment under IFRS 9. Under IAS 39, the Group's unquoted equity instruments were classified as AFS financial assets.

The assessment of the Group's business models was made as of the date of initial application, 1 January 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 January 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

As of 1 January 2018, the category of loans and receivables under IAS 39, including cash and cash equivalents, pledged deposits, trade and bill receivables and financial assets included in prepayments, deposits and other receivables, were transferred to debt instruments at amortised cost under IFRS 9. Meanwhile, available-for-sale investments under IAS 39 were transferred to financial assets at fair value through other comprehensive income under IFRS 9.

The opening balance of retained profits (or other components of equity) as at 1 January 2018 was not restated as the new measurement requirement under IFRS9 is not of significant financial impact.

The accounting for financial liabilities remains largely the same as it was under IAS 39.

Changes to the impairment calculation

IFRS 9 requires the Group to record an allowance for ECLs for all the debt financial assets not held at FVPL.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

For IFRS 9 impairment policy, the wording will be revised as follows:

For trade and bills receivables and contract assets, the Group apply the simplified approach and record lifetime expected losses that are estimated based on the present values of all cash shortfalls over the remaining life. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the expected credit loss is based on the 12-month. The 12-month expected credit loss is the portion of lifetime that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the impairment will be based on the lifetime expected credit loss.

If the financial asset meets the definition of purchased or originated credit impaired, the impairment is based on the change in the ECLs over the life of the asset.

The impact of adopting expected credit loss model under IFRS 9 was not significant and, therefore, the Group made no adjustment to retained profits and accumulated other comprehensive income as of 1 January 2018.

Except as described above, the application of the amendments to IFRSs in the current period has had no significant impact on the Group's financial performance and positions for the current period and prior years and on the disclosures set out in these consolidated financial statements.

3. REVENUE FROM CONTRACTS WITH CUSTOMERS

With the adoption of IFRS 15 from 1 January 2018, the disaggregation of the Group's revenue from contracts with customers, including construction contracting, properties sales and others, for the six months ended 30 June 2018 is as follows:

	Six months ended 30 June 2018 *RMB'000* (Unaudited)
Type of goods or service	
Construction contracting	**18,733,124**
Sale of properties	**220,675**
Others	**258,909**
	19,212,708
Timing of revenue recognition	
Services transferred over time	**18,939,049**
Goods transferred at a point in time	**273,659**
	19,212,708

The Group has derived substantially all of its business in the PRC.

4. SEGMENT INFORMATION

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

(a) Construction contracting – this segment engages in the provision of services relating to construction contracting in architecture;

(b) Others – this segment engages in the provision of property development and other services.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit or loss, which is a measure of adjusted profit or loss before tax from continuing operations. The adjusted profit or loss before tax from continuing operations is measured consistently with the Group's profit before tax from continuing operations.

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

Six months ended 30 June 2018

	Construction contracting *RMB'000* (Unaudited)	Others *RMB'000* (Unaudited)	Total *RMB'000* (Unaudited)
Segment revenue	**19,091,106**	**514,153**	**19,605,259**
Intersegment sales	**(357,982)**	**(34,569)**	**(392,551)**
Total Revenue from contracts with external customers *(note 3)*	**18,733,124**	**479,584**	**19,212,708**
Rental income	**2,475**	**–**	**2,475**
Total Revenue from external customers	**18,735,599**	**479,584**	**19,215,183**
Segment results	**958,600**	**(188,600)**	**770,000**
Reconciliation:			
Elimination of intersegment results			**(66,490)**
Profit before tax from continuing operations			**703,510**
Segment assets	**60,004,696**	**6,778,165**	**66,782,861**
Reconciliation:			
Elimination of intersegment receivables			**(14,260,786)**
Assets classified as held for sale			**1,417,423**
Total assets			**53,939,498**
Segment liabilities	**54,125,977**	**5,505,759**	**59,631,736**
Reconciliation:			
Elimination of intersegment payables			**(12,164,154)**
Liabilities directly associated with the assets classified as held for sale			**1,451,617**
Total liabilities			**48,919,199**
Other segment information:			
Depreciation	**16,607**	**5,811**	**22,418**
Amortisation	**–**	**431**	**431**
Provision for impairment of trade receivables, deposits and other receivables	**(50,228)**	**32,227**	**(18,001)**
Share of losses of associates	**–**	**24,382**	**24,382**
Capital expenditure*	**140,269**	**11,357**	**151,626**

* Capital expenditure consists of additions to property, plant and equipment.

Six months ended 30 June 2017

	Construction contracting *RMB'000* (Audited)	Others *RMB'000* (Audited)	Total *RMB'000* (Audited)
Segment revenue:			
Sales to external customers	19,066,837	960,765	20,027,602
Intersegment sales	190,104	–	190,104
Total revenue	19,256,941	960,765	20,217,706
Reconciliation:			
Elimination of intersegment sales			(190,104)
Revenue from continuing operations			20,027,602
Segment results	1,125,451	(36,019)	1,089,432
Reconciliation:			
Elimination of intersegment results			(408,246)
Profit before tax from continuing operations			681,186
Segment assets	56,896,927	7,847,017	64,743,944
Reconciliation:			
Elimination of intersegment receivables			(9,120,218)
Total assets			55,623,726
Segment liabilities	53,486,161	7,002,676	60,488,837
Reconciliation:			
Elimination of intersegment payables			(7,333,442)
Total liabilities			53,155,395
Other segment information:			
Depreciation	24,063	7,359	31,422
Amortisation	–	399	399
Provision for impairment of trade receivables, deposits and other receivables	96,349	61,995	158,344
Share of losses of associates	15	193	208
Capital expenditure*	28,403	27,535	55,938

Geographical information

The Group has derived substantially all of its business in the PRC.

Information about major customers

The Group has a large number of customers, and no single customer from which the revenue accounted for more than 10% of the Group's total revenue for the six months ended 30 June 2018.

5. OTHER INCOME AND GAINS

An analysis of the Group's other income and gains from continuing operations is as follow:

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Other income		
Interest income	**110,878**	67,688
Dividend income from financial assets at fair value through other comprehensive income	**27,844**	–
Dividend income from available-for-sale investments	**–**	309
	138,722	67,997
Gains		
Reversal of impairment of trade receivables and deposits and other receivables	**18,001**	–
Government grant	**297**	800
Change in fair value of an investment property	**907**	405
Gain on disposal of assets and liabilities of disposal groups classified as held for sale	**–**	22,674
Gain on disposal of items of property, plant and equipment, and prepaid land lease payments	**–**	21,957
Others	**905**	1,416
	20,110	47,252
	158,832	115,249

6. PROFIT BEFORE TAX FROM CONTINUING OPERATIONS

The Group's profit before tax from continuing operations is arrived at after charging/(crediting):

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Cost of construction contracting (including depreciation)	**18,273,762**	18,293,305
Cost of others	**14,411**	667,722
Total cost of sales	**18,288,173**	18,961,027
Depreciation of items of property, plant and equipment	**22,418**	31,422
Amortisation of prepaid land lease payments	**431**	399
Total depreciation and amortisation	**22,849**	31,821
Research and development costs	**13,409**	14,431
Foreign exchange difference, net	**32,610**	–
(Reversal of impairment)/impairment of trade receivables and deposits and other receivables	**(18,001)**	158,344
Auditors' remuneration	**2,800**	3,492
Employee benefit expenses (including directors' and supervisors' remuneration):	**104,153**	134,854
– Wages, salaries and allowances	**75,518**	101,055
– Social insurance	**22,280**	28,555
– Welfare and other expenses	**6,355**	5,244
Interest income	**(110,878)**	(67,688)
Gain on disposal of items of property, plant and equipment, and prepaid land lease payments	**–**	(21,957)
Change in fair value of an investment property	**(907)**	(405)
Dividend income from financial assets at fair value through other comprehensive income	**(27,844)**	–
Dividend income from available-for-sale investments	**–**	(309)
Gain on disposal of assets and liabilities of disposal groups classified as held for sale	**–**	(22,674)

7. INCOME TAX EXPENSE

Provision for Mainland China current income tax is based on the statutory rate of 25% of the assessable profits of the PRC subsidiaries of the Group as determined in accordance with the PRC Corporation Income Tax Law which was approved on 16 March 2007 and became effective on 1 August 2008.

According to the requirements of the Provisional Regulations of the PRC on land appreciation tax effective from 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT effective from 27 January 1995, all income from the sale or transfer of state-owned leasehold interests on land, buildings and their attached facilities in Mainland China is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, with an exemption provided for property sales of ordinary residential properties if their appreciation values do not exceed 20% of the sum of the total deductible items.

The Group has estimated and made tax provision for LAT according to the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon completion of the property development projects and the tax authorities might disagree with the basis on which the provision for LAT is calculated.

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Current income tax	**223,916**	180,498
LAT	**7,652**	29,709
Deferred income tax	**(39,843)**	(1,886)
Tax charge for the period from continuing operations	**191,725**	208,321
Tax charge for the period from discontinued operations	**–**	8,908
	191,725	217,229

A reconciliation of the income tax expense applicable to profit before tax using the statutory income tax rate applicable in Mainland China to the income tax expense at the Group's effective income tax during the period, are as follows:

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Profit before tax from continuing operations	**703,510**	681,186
Profit before tax from discontinued operations	**–**	35,630
	703,510	716,816
Income tax charge at the statutory income tax rate	**175,878**	179,204
Losses attributable to associates	**6,096**	52
Income not subject to tax	**(6,961)**	(77)
Expenses not deductible for tax purposes	**(5,614)**	88
Tax losses not recognised	**14,108**	15,794
Others	**2,479**	(114)
LAT	**7,652**	29,709
Tax effect of LAT deductible for PRC Corporate Income Tax ("**CIT**")	**(1,913)**	(7,427)
Tax charge for the period at the Group's effective rate	**191,725**	217,229
Tax charge from continuing operations at the Group's effective rate	**191,725**	208,321
Tax charge from discontinued operations at the Group's effective rate	**–**	8,908

8. DIVIDENDS

The dividends during the period are set out below:

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Dividends declared to owners of the parent	**–**	1,151,400

The board of the directors of the Company does not recommend the declaration of final dividend for the six months ended 30 June 2018.

9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares of 1,761,383,500 (2017: 1,283,333,333) in issue during the period, as adjusted to reflect the rights issue during the period.

No adjustment has been made to the basic earnings per share amounts presented for the periods in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the period.

The calculations of basic earnings per share are based on:

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation:		
From continuing operations	**551,334**	476,514
From discontinued operations	**–**	26,722
	551,334	503,236

	Number of shares Six months ended 30 June	
	2018	2017
	(Unaudited)	(Audited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**1,761,383,500**	1,283,333,333

The Company over-allotment 28,049,500 shares in January 2018, and the Company's paid-in capital increased to RMB1,761,383,500 (Note 11).

10. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

In June 2018, the Group decided to dispose of the 70% interests in Guangan Zhongcheng Real Estate Development Co., Ltd. to third parties. The disposal was classified as a disposal group held for sale as at 30 June 2018.

As at 30 June 2018, details of the assets and liabilities classified as held for sale are as follows:

	30 June 2018 ***RMB'000*** **(Unaudited)**
Assets	
Property, plant and equipment	**1,959**
Properties under development	**1,116,836**
Pledged deposits	**1,669**
Prepayments, deposits and other receivables	**283,232**
Cash and cash equivalent	**13,727**
Assets classified as held for sale	**1,417,423**
Liabilities	
Interest-bearing bank and other borrowings	**(8,666)**
Contract liabilities	**(192,632)**
Other payables, advances from customers and accruals	**(1,248,853)**
Tax payable	**(1,466)**
Liabilities directly associated with the assets classified as held for sale	**(1,451,617)**
Net liabilities directly associated with the disposal group	**(34,194)**

11. SHARE CAPITAL

	As at 30 June 2018 ***RMB'000*** **(Unaudited)**	As at 31 December 2017 *RMB'000* (Audited)
Issued and fully paid:		
1,761,383,500 (2017: 1,733,334,000) ordinary shares	**1,761,384**	1,733,334

A summary of movements in the Company's share capital are as follows:

	Share capital	
	As at 30 June 2018 ***RMB'000*** **(Unaudited)**	As at 31 December 2017 *RMB'000* (Audited)
At the beginning of the period/year	**1,733,334**	1,200,000
Issuances of new shares in over-allotment of initial public offering *(i)*	**28,050**	–
Capital injection by shareholders *(ii)*	**–**	100,000
Issue of new shares in initial public offering *(iii)*	**–**	433,334
At the end of the period/year	**1,761,384**	1,733,334

Notes:

(i) On 5 January 2018, the Company exercised partially the over-allotment option in respect of additional 28,049,500 H shares. The over-allotment shares were issued at HK$4.46 per H share.

(ii) In January 2017, the Company's paid-in capital increased to RMB1,300,000,000 by capital injection of shareholders. The Company was a limited liability company and converted into a joint stock company with limited liability in April 2017. The Company's equity of RMB1,554,254,000 was converted into share capital with an amount of RMB1,300,000,000 and capital reserve with an amount of RMB254,254,000 of the joint stock company with limited liability. The capital of the Company upon conversion was RMB1,300,000,000, which was divided into 1,300,000,000 ordinary shares of RMB1 each.

(iii) In December 2017, the Company issued 433,334,000 H shares through IPO at the price of HK$4.46 per ordinary share. After closed, the capital of the Company increased to RMB1,733,334,000 which was divided into 1,733,334,000 ordinary shares of RMB1 each.

BUSINESS OVERVIEW

Part I Overview of Company Business

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

- Construction project 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 property development, property management and other businesses.

A substantial majority of our revenue was generated from the construction contracting business which is mainly comprised of building construction, infrastructure construction and specialized and other construction contracting businesses. Our total revenue was RMB19,220 million in the first half of 2018, while that of the same period of last year was RMB20,030 million. After deducting the decrease of RMB720 million in revenue from the property development business for the corresponding period, the total revenue from construction contracting business remained constant compared to that in the first half of last year, amounting to RMB19,100 million and RMB19,260 million respectively. Profit from continuing operations was RMB510 million, representing a year-on-year increase of 8.2% compared with RMB470 million for the last year. New contracts were valued at RMB35,830 million, representing a year-on-year decrease of 9.4% compared with RMB39,560 million for the last year. The value of backlog increased from RMB67,270 million as of the end of 2017 to RMB70,770 million, representing an increase of 5.2% compared with the end of last year. The failure to increase construction contracting business revenue was attributable to a push back of the Chinese Spring Festival holidays, which led to a shortened construction period.

Revenue from the construction business (by region):

	Six months ended 30 June	
Year	**2018**	2017
RMB million	**19,100**	19,260
Share of Beijing-Tianjin-Hebei	**70.9%**	64.1%
Share of Beijing	**5.0%**	9.4%
Share of Tianjin	**2.4%**	4.5%
Share of Hebei	**63.5%**	51.2%
Share of other regions	**29.1%**	35.9%

New contract value (by region):

	Six months ended 30 June	
Year	**2018**	2017
RMB million	**35,830**	39,560
Share of Beijing	**4.8%**	2.0%
Share of Tianjin	**7.2%**	3.1%
Share of Hebei	**46.3%**	53.2%
Share of other regions	**41.7%**	41.7%

Backlog (by region):

Year	**As at 30 June 2018**	As at 31 December 2017
RMB million	**70,770**	67,270
Beijing	**8.4%**	8.4%
Tianjin	**4.1%**	3.6%
Hebei	**48.4%**	49.3%
Other regions	**39.1%**	38.7%

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 fireproofing activities. We are also responsible for engaging subcontractors in providing construction services and the labor force for construction projects, coordinating the work of all parties, providing the major equipment and machinery, procuring raw materials and ensuring that construction projects are carried out on schedule. For the six months ended 30 June 2018 and 30 June 2017, our revenue from building construction projects were RMB12,800 million and RMB13,280 million respectively, accounting for 67.0% and 69.0% of our revenue from construction contracting business for the corresponding period respectively. New contracts were valued at RMB25,500 million and RMB22,260 million respectively, and backlog increased from RMB47,430 million as of the end of 2017 to RMB52,350 million.

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

	Six months ended 30 June	
Year	**2018**	2017
RMB million	**25,500**	22,260
Share of Beijing	**5.9%**	2.4%
Share of Tianjin	**8.0%**	5.0%
Share of Hebei	**42.3%**	55.2%
Share of other regions	**43.8%**	37.4%

Backlog of the building construction business (by region):

Year	**As at 30 June 2018**	As at 31 December 2017
RMB million	**52,350**	47,430
Share of Beijing	**8.9%**	8.9%
Share of Tianjin	**4.4%**	4.2%
Share of Hebei	**48.1%**	47.6%
Share of other regions	**38.6%**	39.3%

Infrastructure Construction Business

In addition to our core building construction business, we are also increasingly providing construction contracting services for municipal and transportation infrastructure projects, including facilities for water supply and treatment, gas and heating, urban pipelines, roads, bridges and airport runways. We undertake most of such construction projects as a general contractor. Our infrastructure construction customers are primarily local governments. For the six months ended 30 June 2018 and 30 June 2017, our revenue from infrastructure construction projects was RMB5,070 million and RMB4,640 million respectively, accounting for 26.6% and 24.1% of our revenue from construction contracting business for the corresponding period respectively. New contracts were valued at RMB8,260 million and RMB16,330 million, and backlog decreased from RMB15,580 million at the end of 2017 to RMB14,670 million.

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

	Six months ended 30 June	
Year	**2018**	2017
RMB million	**8,260**	16,330
Share of Beijing	**1.4%**	1.4%
Share of Tianjin	**4.0%**	0.4%
Share of Hebei	**51.9%**	49.1%
Share of other regions	**42.7%**	49.1%

Backlog of the infrastructure construction business (by region):

Year	**As at 30 June 2018**	As at 31 December 2017
RMB million	**14,670**	15,580
Beijing	**8.3%**	8.7%
Tianjin	**2.7%**	1.1%
Hebei	**42.3%**	48.3%
Other regions	**46.7%**	41.9%

Specialized and Other Construction Contracting Business

We also undertake construction contracting projects by leveraging our qualifications and experience in specialized areas such as electrical and mechanical installation and construction of steel structures. Our electrical and mechanical installation works generally cover the supply, installation and maintenance of equipment for power plants, pipelines for heating and natural gas, as well as air-conditioning, mechanical ventilation and exhaust air systems. Steel structure construction generally refers to the building of the structural supporting elements comprising steel columns, girders and beams of a construction project. For the six months ended 30 June 2018 and 30 June 2017, our revenue from specialized and other construction contracting business were RMB1,230 million and RMB1,340 million respectively, accounting for 6.4% and 6.9% of our revenue from construction contracting business for the corresponding period respectively. New contracts were valued at RMB2,070 million and RMB970 million respectively, and backlog contract value decreased from RMB4,260 million as of the end of 2017 to RMB3,750 million.

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

	Six months ended 30 June	
Year	**2018**	2017
RMB million	**2,070**	970
Share of Beijing	**3.8%**	1.3%
Share of Tianjin	**11.2%**	3.9%
Share of Hebei	**73.6%**	76.5%
Share of other regions	**11.4%**	18.3%

Backlog of the specialized and other construction contracting business (by region):

Year	**As at 30 June 2018**	As at 31 December 2017
RMB million	**3,750**	4,260
Share of Beijing	**1.6%**	1.0%
Share of Tianjin	**5.3%**	6.2%
Share of Hebei	**76.8%**	72.3%
Share of other regions	**16.3%**	20.5%

Part II Business Outlook for the Second Half of 2018

In the first half of 2018, company management focused on improving quality and efficiency with all indicators meeting the mid-year target. Please refer to this interim results announcement for specific data.

In the second half of the year, the Company will continue to adhere to the three policies and focus on enhancing the six capabilities under the strategies of "Foundation Strengthening, Level Rising, Pioneering Innovation and Sustainable Development". By doing so, the Company can ensure that it can overcome difficulties and its business performance can be sustainable and stable.

Specifically, the Company must firmly support the Party and the State policies, abide by Party disciplines and the laws of the State and act as a listed company that operates in accordance with the law. The Company must closely follow major national strategic deployments such as the Beijing-Tianjin-Hebei coordinated development and the construction of Xiong'an New District. The Company must firmly and comprehensively complete its "13th Five-Year Plan" without changing its end goal and make necessary mid-term plan adjustments. The Company must adhere to platform building and release the platform's unchanging values. It should focus on building finance, technology and centralized procurement platforms to further release its platform value.

The Company should focus on improving its market leading ability so as to undertake more quality projects and enhancing its on-site management and control capabilities to improve project pre-planning and process control with new methods. It should also focus on enhancing its capital management and control capabilities, as well as improve the capital turnover rate and its investment and financing strength. Additionally, it should attach importance to enhancing its systemic operational capacity by hiring professional institutions to improve its internal control system so as to form a replicable management model. It should also focus on improving its cultural cohesion, deepening its corporate culture and actively expanding its social influence. Furthermore, it should focus on improving its organizational support capability to establish intellectual headquarters, capable branches, subsidiaries and project departments.

Mid 2018, the Company will improve its capabilities and progress with a pioneering spirit leveraging its good first half year performance so as to enhance its ability, blaze new trails, better serve society, pay back shareholders and bring benefit to employees!

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Income and Gross Profit Margin

For the six months ended 30 June 2018, the Group's revenue was about RMB19,220 million, a decrease of 4.1% or about RMB810 million from about RMB20,030 million for the same period last year. This was mainly due to the decrease of RMB720 million in the property development business and the decrease of RMB90 million in the construction contracting business and other businesses for the six months ended 30 June 2018.

The main reason for the decline in real estate development income is that the property projects developed by the Group in previous years have been gradually handed over. Under the national policy of restraining the residential real estate market in second- and third-tier cities, newly developed real estate projects have slowed down in the first half of the year causing a decrease in real estate development income. The late arrival of the Spring Festival holiday shortened the construction period, which is the main reason why the construction contracting business income has not increased.

When compared with the same period last year, the Group's revenue of some construction contracting businesses increased, while the revenue of some other businesses decreased. The infrastructure construction business grew and its revenue increased. Revenue from the building construction business and other construction businesses decreased. The increase in the infrastructure construction business was due to an increase of about RMB170 million in municipal infrastructure construction revenue and about RMB260 million in transportation infrastructure construction revenue as well as an increase in new infrastructure construction projects in the first half of 2018. The decrease in the building construction business was due to policy impacts. The real estate market has cooled since last year with fewer new residential projects. Industrial construction projects are mainly in the Beijing-Tianjin-Hebei region. Due to strategic development needs and environmental protection policies, China will gradually reduce and relocate the industrial projects in the region. Therefore, the operating income of this sector has declined significantly.

The other types of Group income are mainly from the BOT business during construction period, property management services and concrete sales. The related income increased by RMB240 million in the first half of 2018 when compared with the same period in 2017.

The gross profit margin of the Group's each business type has increased. As of 30 June 2018, the gross profit margin was 4.3% and it was 4.0% in the same period last year. As the Group has paid more attention to the quality of construction projects in recent years, the gross profit margin has increased steadily and the gross profit margin of each segment has also increased.

Other Income and Gains

For the six months ended 30 June 2018, other income and gains was about RMB160 million, an increase of about RMB40 million from about RMB120 million for the same period last year. The total dividends for 2017 announced by the Bank of Baoding, to which the investment was classified as financial asset at fair value through other comprehensive income, in this period amounted to about RMB30 million. The reversal of impairment of trade receivables and deposits and other receivables were RMB20 million.

Selling and Distribution Expenses

For the six months ended 30 June 2018, selling and distribution expenses were about RMB10 million, a decrease of about RMB10 million from about RMB20 million for the same period last year. The main reasons for the change in the selling and distribution expenses were that the real estate sales staff remuneration decreased by about RMB5 million, property management fees decreased by about RMB2 million and other expenses decreased by about RMB3 million.

Administrative Expenses

For the six months ended 30 June 2018, administrative expenses were about RMB190 million, a decrease of about RMB20 million from about RMB210 million for the same period last year. This was mainly due to the decrease in staff remuneration and business expenses.

Other Expenses

For the six months ended 30 June 2018, other expenses were about RMB30 million, a decrease of about RMB130 million from about RMB160 million for the same period last year. This was mainly due to the large asset impairment loss of RMB160 million for the six months ended 30 June 2017. For the six months ended 30 June 2018, the impairment of trade receivables and deposits and other receivables was reversed and therefore has been included in other income and gains for accounting purpose.

Finance Costs

Finance costs, which are interest expenses on bank borrowings, were about RMB120 million for the six months ended 30 June 2018, an increase of about RMB20 million from about RMB100 million for the same period last year. The cost increase was mainly due to the fact that the Group has gradually used long-term borrowings to replace short-term borrowings from the beginning of 2017 and some interest rates increased when compared with the same period last year.

Income Tax Expense

For the six months ended 30 June 2018, income tax expense was about RMB190 million, a decrease of about RMB20 million from about RMB210 million for the same period last year. The expense decrease was mainly due to a huge reduction in the overall property sales in this period causing a decrease in the LAT payable by about RMB20 million.

Profit for the Period

For the above reasons, the profit for the period for the six months ended 30 June 2018 was about RMB510 million, an increase of about RMB10 million from about RMB500 million for the same period last year. For the six months ended 30 June 2017 and 30 June 2018, the net interest rate stabilized at about 2.5% and 2.7%.

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 2018 and 31 December 2017, the Group had cash and cash equivalents of about RMB4,390 million and about RMB5,290 million respectively.

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 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.

Investment in Associates

At the end of May 2018, the Group added an investment of RMB20 million to its associate Hebei Zitan Real Estate Development Co., Ltd., and holds a 40% stake.

Contract Assets and Liabilities

The Group adopted IFRS 15 in this period. According to the IFRS 15 principles, amounts due from customers from contract works and receivables under service concession arrangements were reclassified to contract assets. Amounts due to customers from contract works and advance from customers were reclassified to contract liabilities.

The amounts due from customers from contract works and receivables under service concession arrangements increased by 11.5%, from RMB27,790 million as of 31 December 2017 to about RMB30,980 million as of 30 June 2018, accounting for about 61.5% of the total value of liquid assets on 30 June 2018.

As of 30 June 2018, the amounts due to customers and advance from customers were about RMB4,920 million, a decrease of about 21.2% to contract liabilities from about RMB6,250 million as of 31 December 2017.

The decrease in the ratio of contract assets and contract liabilities to net assets was mainly due to the fact that the Group has more capital through the H-share IPO financing. In addition, the settlement rate is relatively stable and has no significant change.

Trade and Bills Receivables

As of 30 June 2018, the balance of accounts receivable was about RMB6,500 million, a decrease of about 0.9% from about RMB6,560 million as of 31 December 2017. There is basically no change in the balance of accounts receivable. The amount of bills receivable was about RMB750 million, an increase of about 34.8% from about RMB560 million as of 31 December 2017. This was mainly due to the fact that some of Party A preferred to use bills for settlement in this period leading to a rapid increase in bills receivable.

Accounts and Bills Payable

As of June 30, 2018, the balance of accounts payable was about RMB32,860 million, an increase of about 6.5% from about RMB30,850 million as of 31 December 2017. This was mainly due to the fact that some projects have not yet reached payment milestones for suppliers resulting in a corresponding increase in accounts payable. Analyzing the age of accounts payable, accounts payable within six months increased normally and accounts payable for more than six months were reduced in all age groups. As a result, the turnover days of accounts payable decreased from 339 days on 31 December 2017 to 319 days on 30 June 2018. The balance of bills payable increased by about RMB300 million when compared with the end of last year. This was mainly due to the fact that the Group has changed its settlement method with some long-term suppliers to bill settlement.

Interest-bearing bank and other borrowings

As of 30 June 2018, the Group's interest-bearing borrowings were about RMB3,710 million (about RMB4 million as of 31 December 2017). These loans shall be paid back within one to five years.

The Group's general bank credits were about RMB310 million as of 30 June 2018 (about RMB360 million as of 31 December 2017) after using the Group's land use rights and buildings as collateral.

Financial Ratios

	As at 30 June 2018	As at 31 December 2017
Current ratio (times) (1)	**1.1**	1.1
Quick ratio (times) (2)	**1.1**	1.1
Gearing ratio (3)	**73.9%**	82.8%
Return on assets (4)	**1.0%**	2.1%
Return on equity (5)	**11.0%**	29.6%

Notes:

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

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

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

(4) Return on assets represents profit for the Year divided by the average of total assets at the beginning and end of the Year and multiplied by 100%.

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

Capital Expenditure

For the six months ended 30 June 2018, the capital expenditure was about RMB150 million (about RMB60 million as of 30 June 2017). Capital expenditures incurred for the period were mainly related to more constructions in progress and office purchases.

Capital Commitment

The Group had a significant capital commitment of RMB170 million as of 30 June 2018.

Contingent Liabilities

As of 30 June 2018, the Group has provided guarantees in respect of mortgage facilities for certain purchasers of the Group's properties amounting to approximately RMB1,670 million and guarantees given to banks in connection with facilities granted to third parties to RMB350 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.

Assets/Liabilities classifies as held for sale

The Group's assets classified as held for sale increased by about RMB1,420 million in this period and liabilities classified as held for sale increased by about RMB1,450 million in this period. This was mainly because that the Group planned to dispose its subsidiary, Guangan Zhongcheng Real Estate Development Co., Ltd. in 2018. According to the equity transfer agreement, the Group shall transfer its control of the subsidiary after the transfer procedures completed. As of 30 June 2018, the transfer procedures were not completed. The procedures were completed on 5 July 2018. Therefore, as of 30 June 2018, we classified that the assets and liabilities of the subsidiary as assets and liabilities classified as held for sale.

OTHER INFORMATION

Issued Share Capital

On 5 January 2018, the over-allotment option stated in the prospectus was partially exercised for 28,049,500 additional H shares, representing approximately 6.47% of the offer shares initially offered for subscription under the global offering, to cover over-allocations in the international offering of the Company.

As at 30 June 2018, 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. Details of the changes in the share capital of the Company during the six months ended 30 June 2018 will be set out in the relevant notes to the financial statements to be included in the interim report published by the Company in due course.

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' expectations. During the six months ended 30 June 2018, the Company had complied with all the code provisions as set out in the Corporate Governance Code and Corporate Governance Report in Appendix 14 to the Listing Rules and had adopted most of the recommended best practices as set out in Appendix 14 to the Listing Rules.

Compliance with the Model Code

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the code for all directors (the "**Directors**") and supervisors of the Company (the "**Supervisors**") to conduct transactions of the Company's securities. The Company has made specific inquiries to all Directors and Supervisors about their compliance with the Model Code, and they all confirmed that they have complied with the standards specified in the Model Code during the six months ended 30 June 2018.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor its subsidiaries has purchased, sold or redeemed any of its listed securities for the six months ended 30 June 2018.

2018 INTERIM DIVIDEND

The Board has not made any recommendation on the distribution of an interim dividend for the six months ended 30 June 2018.

SUBSEQUENT EVENTS

There has been no major subsequent event of the Company from 30 June 2018 to the date of this announcement.

REVIEW OF INTERIM RESULTS

The members of the audit committee of the Company are currently Ms. Shen Lifeng (Chairlady of the committee), Mr. Li Baoyuan, Mr. Cao Qingshe, Ms. Chen Xin and Mr. Chan Ngai Sang Kenny. The audit committee has reviewed and confirmed the Group's interim results announcement for the six months ended 30 June 2018, the 2018 interim report and the unaudited interim financial statements for the six months ended 30 June 2018 prepared in accordance with IAS 34 "Interim Financial Reporting".

PUBLICATION OF THE INTERIM RESULTS AND REPORT

This interim results announcement will be published on the HKExnews website of the Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") (www.hkexnews.hk) and the Company's website (www.hebjs.com.cn).

The Company's 2018 interim report containing all information required under the Listing Rules will be dispatched to the shareholders of H shares and published on the HKExnews website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company's website in due course.

By order of the Board
Hebei Construction Group Corporation Limited
Li Baozhong
Chairman & Executive Director

Hebei, the PRC
30 August 2018

As at the date of this announcement, the Board comprises four executive directors, namely Mr. LI Baozhong, Mr. SHANG Jinfeng, Ms. LIU Shuzhen and Mr. LIU Yongjian; two non-executive directors, namely Mr. LI Baoyuan and Mr. CAO Qingshe and four independent non-executive directors, namely Mr. XIAO Xuwen, Ms. SHEN Lifeng, Ms. CHEN Xin and Mr. CHAN Ngai Sang Kenny.