



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



2022

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, HKACG*)

AUTHORIZED REPRESENTATIVES

Ms. Shen Lifeng
Ms. Wong Wai Ling (*ACG, HKACG*)

BOARD COMMITTEES

Audit Committee

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

Remuneration and Appraisal Committee

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

Nomination Committee

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

Strategic Committee

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

REGISTERED OFFICE

125 Lugang Road
Jingxiu District
Baoding, Hebei Province
PRC

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

125 Lugang Road
Jingxiu District
Baoding, Hebei Province
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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No. 248 Queen's Road East
Wanchai, Hong Kong

STOCK SHORT NAME AND STOCK CODE

HEBEI CONS (01727)

H SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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COMPANY WEBSITE

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AUDITOR

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Dong Cheng District, Beijing
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FINANCIAL HIGHLIGHTS

As of 30 June 2022, our revenue amounted to RMB16,589 million, representing a decrease of 16.9% as compared with the corresponding period of 2021.

As of 30 June 2022, our net profit amounted to RMB154 million, representing a decrease of 32.7% as compared with the corresponding period of 2021.

As of 30 June 2022, our earnings per Share amounted to RMB0.09, representing a decrease of RMB0.04 as compared with the corresponding period of 2021.

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 2022, our new contract value was RMB21,229 million, representing a decrease of 3.1% as compared with RMB21,908 million for the corresponding period of last year.

New contract value (by region):

| | For the six months ended 30 June | |
|--------------------------------|-------------------------------------|--------|
| | 2022 | 2021 |
| <i>(RMB100 million)</i> | | |
| Share of Beijing-Tianjin-Hebei | 212.29 | 219.08 |
| Share of other regions | 79.24% | 64.87% |
| | 20.76% | 35.13% |

BUSINESS OVERVIEW

New contract value (by segment):

| | For the six months ended 30 June | |
|---|-------------------------------------|--------|
| | 2022 | 2021 |
| <i>(RMB100 million)</i> | | |
| Share of building construction | 212.29 | 219.08 |
| Share of infrastructure construction | 71.59% | 67.81% |
| Share of specialized and other construction | 19.91% | 23.85% |
| | 8.50% | 8.34% |

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 2022, the new contract value from the building construction business was RMB15,197 million, compared with RMB14,855 million for the corresponding period of last year.

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

| | For the six months ended 30 June | |
|---|-------------------------------------|--------|
| | 2022 | 2021 |
| <i>(RMB100 million)</i> | | |
| Share of residential construction | 151.97 | 148.55 |
| Share of public building construction | 29.58% | 49.25% |
| Share of industrial building construction | 57.23% | 30.28% |
| Share of commercial building construction | 12.52% | 16.11% |
| | 0.67% | 4.36% |

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 a general contractor. Our infrastructure construction customers are primarily local governments. In the first half of 2022, the new contract value from the infrastructure construction business was RMB4,226 million, compared with RMB5,225 million for the corresponding period of last year.

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

| | For the six months ended 30 June | |
|---|-------------------------------------|--------|
| | 2022 | 2021 |
| <i>(RMB100 million)</i> | | |
| Share of municipal infrastructure construction | 42.26 | 52.25 |
| Share of transportation infrastructure construction | 89.97% | 66.97% |
| | 10.03% | 33.03% |

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 2022, the new contract value from the specialized and other construction contracting business was RMB1,806 million, compared with RMB1,828 million for the corresponding period of last year.

BUSINESS OVERVIEW

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

| | For the six months ended 30 June | |
|---|----------------------------------|--------|
| | 2022 | 2021 |
| (RMB100 million) | 18.06 | 18.28 |
| Share of electrical and mechanical installation | 9.97% | 9.57% |
| Share of steel structures | 1.22% | 3.16% |
| Share of decoration | 25.91% | 53.15% |
| Share of other construction business | 62.90% | 34.12% |

Representative projects of new contracts

| Business segment | Name of project | Contract value (RMB100 million) | Region |
|----------------------|---|------------------------------------|--------|
| Residential building | Phase II Project of Renovation of Urban Villages in Longtun New Town of Botou (泊頭市龍屯新城城中村改造二期項目) | 9.54 | Hebei |
| | EPC General Contracting of the Project of Renovation and Improvement of Second Batch of Old Communities in Jingxiu District in 2022 (競秀區2022年第二批老舊小區改造和提升項目EPC總承包) | 6.42 | Hebei |
| | Construction Project of Buildings 17#, 18#, 20#, 21#, S6# and S7# and Part of Underground Parking Lot of Phase V of Jiantou · Minghu (建投·明湖五期17#、18#、20#、21#、S6#、S7#樓及部分地下車庫項目施工) | 2.83 | Hebei |
| | General Contracting of the Construction Project of Phase II of Yufeng Garden (裕豐花園二期項目施工總承包工程) | 2.50 | Hebei |
| | Construction of Section 1 of the Xuri Garden Project (旭日花園項目一標段工程施工) | 2.25 | Hebei |

| Business segment | Name of project | Contract value | Region |
|-------------------------|--|-------------------------|---------------|
| | | <i>(RMB100 million)</i> | |
| Public building | General Contracting of Construction of Baoding Hospital under China Academy of Chinese Medical Sciences Guang'anmen Hospital (中國中醫科學院廣安門醫院保定醫院工程總承包) | 19.43 | Hebei |
| | Project of Overall Relocation of Wen'an County Hospital (文安縣醫院整體遷建工程) | 6.57 | Hebei |
| | General Contracting (EPC) of Design and Construction of the Construction Project of the New Campus of Shunping County Hospital (順平縣醫院新院區建設項目設計、施工總承包 (EPC)) | 6.07 | Hebei |
| | Construction Project of Phase II of the New Campus of Baoding Qingyuan District People's Hospital (保定市清苑區人民醫院新院區二期建設項目) | 5.18 | Hebei |
| | Building 3# - Building A6# and Zone 2 of Underground Parking Lot 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)3#樓-A6#樓及地下車庫二區) | 3.92 | Hebei |
| | Project of New Engineering Complex of Minhang Campus of Shanghai Jiao Tong University (上海交通大學閔行校區新工程館項目) | 3.70 | Shanghai |

BUSINESS OVERVIEW

| Business segment | Name of project | Contract value <i>(RMB100 million)</i> | Region |
|--|--|--|---------------|
| Industrial building | Project of Scientific Research Building No. 101 of Phase II of Testing and Inspection Center (試驗與檢測中心二期工程101號科研實驗樓項目) | 2.56 | Beijing |
| | General Contracting of Civil Works for the Intelligent Industry Innovation Center Project of Langfang Wofu Automation Equipment Co., Ltd. (廊坊市沃福自動化設備有限公司智慧產業創新中心項目土建總承包工程) | 1.87 | Hebei |
| Municipal infrastructure construction | Comprehensive Treatment of Baoding Fu River Water System (Phase II) - Huanghuagou Ecological Facility Comprehensive Improvement Project (General Contracting) (保定市府河水系綜合治理(二期)-黃花溝生態設施綜合提升工程(工程總承包)) | 7.25 | Hebei |
| | Construction of Phase II of River Water Replacement for Rural Domestic Water Sources in Qingyuan District, Baoding in 2021-2022 (保定市清苑區2021-2022年度農村生活水源江水置換二期施工) | 3.13 | Hebei |
| Transportation infrastructure construction | Construction of Runway of Dongyang Hengdian General Airport Construction Project (東陽橫店通用機場建設項目場道工程) | 2.35 | Zhejiang |

Representative projects of construction in progress

| Business segment | Name of project | Executive contract value (RMB100 million) | Region |
|------------------|--|--|-----------|
| Public building | Zhifeiluzhu COVID-19 Vaccine and Engineered Vaccine Industrialization Base Project (12 Items Including No. 1 Production Workshop (Including Connecting Corridor)) (智飛綠竹新型病毒疫苗和工程疫苗產業化基地項目(1號生產車間(包括連廊)等12項)) | 5.49 | Beijing |
| | Yutian County Hospital Relocation Project (玉田縣醫院整體遷建工程) | 6.73 | Hebei |
| | 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)) | 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 |
| | Construction Project of Shengzhou Culture and Media Center (嵊州市文化傳媒中心建設工程) | 5.64 | Zhejiang |
| | Construction Project of Phase II of the New Campus of Baoding Qingyuan District People's Hospital (保定市清苑區人民醫院新院區二期建設項目) | 5.18 | Hebei |
| | Construction of Area A of Diangu Financial Center (電谷金融中心A區施工) | 6.82 | Hebei |

BUSINESS OVERVIEW

| Business segment | Name of project | Executive contract value <i>(RMB100 million)</i> | Region |
|-------------------------|--|--|----------------------------------|
| | Construction of 101 Medical General Building, Zhengding New District Hospital (North Phase I) of the No. 2 Hospital of Hebei Medical University (河北醫科大學第二醫院正定新區醫院(北區一期)101醫療綜合樓施工) | 7.68 | Hebei |
| | EPC Project of Infrastructure in Jining Taibai Lake Xincheng College Technology Park (濟寧太白湖新城大學科技園基礎設施EPC項目) | 5.57 | Shandong |
| | Construction of Medical General Building, Scientific Research Building and Medical Quarantine Building for the Relocation Project of Hohhot No.2 Hospital (呼和浩特市第二醫院遷建項目醫療綜合樓、科研樓、醫護隔離樓等工程施工) | 7.10 | Inner Mongolia Autonomous Region |
| Residential building | R2 Type II Residential Land Project at Lot 1606-641, Xihuang Village, Shijingshan, Beijing (18 Items Including Residential Building 1#) (石景山區西黃村1606-641地塊R2二類居住用地項目(1#住宅樓等18項)) | 5.36 | 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 |
| | 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 segment | Name of project | Executive contract value <i>(RMB100 million)</i> | Region |
|-------------------------|---|--|---------------|
| | EPC General Contracting of the Construction Project of Riverside Relocation Housing in Xishui County (浠水縣一河兩岸回遷房建設項目EPC總承包) | 10.10 | Hubei |
| | EPC General Contracting of the Construction Project of South Zone of Lot A in the West Side of Beihu Core Area, Tianqiao District, Jinan (濟南市天橋區北湖核心區西側片區地塊A南區建設項目施工總承包工程) | 10.78 | Shandong |
| Commercial building | Hengbai International Plaza Construction Project (衡百國際廣場建設項目) | 2.35 | Hebei |
| | ZXZ-010 Plot F3 Other Mixed-Use Land Project under the Zhuxinzhuan New Area (Phase II) Tier 1 Land Development Project in Changping District, Beijing (5 projects including Huicong Building) (北京市昌平區朱辛莊新區(二期)土地一級開發項目ZXZ-010地塊F3其他類多功能用地項目(慧聰大廈等5項)) | 2.45 | Beijing |
| | 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 | Section 1 of the Construction Project of Photovoltaic Technology Industrial Base of CSIC Zhuozhou Marine Equipment Technology Industrial Park (中船重工涿州海洋裝備科技產業園光電技術產業基地建設項目一標段) | 1.06 | Hebei |

BUSINESS OVERVIEW

| Business segment | Name of project | Executive contract value <i>(RMB100 million)</i> | Region |
|--|--|--|----------------------------------|
| | Beijing Electronic City IT Industry Park Electronic Industry Factory Project (D3 Workshop (for High and New Technology Industry) and B3 Workshop (for High and New Technology Industry)) (北京電子城IT產業園電子工業廠房項目(D3廠房(高新技術產業用房)、B3廠房(高新技術產業用房))) | 2.49 | Beijing |
| | China Smart Network Backbone (Langfang • Gu'an) Phase II Project (中國智能骨幹網(廊坊•固安)二期項目) | 4.49 | Hebei |
| Transportation infrastructure construction | Section 003 of the Airfield Project of T3B Terminal and Section 003 of the Airfield Project of Fourth Runway of Chongqing Jiangbei International Airport (重慶江北國際機場T3B航站樓及第四跑道工程飛行區場道工程003標段) | 6.16 | Chongqing |
| | 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 |
| | National Highway G205 Yanshan County Round-town Section Renovation Project (國道G205鹽山縣繞城段改建工程) | 2.47 | Hebei |

| Business segment | Name of project | Executive contract value <i>(RMB100 million)</i> | Region |
|---------------------------------------|--|--|----------------------------------|
| Municipal infrastructure construction | Road Construction of the Infrastructure Construction Project of Baoding Shenzhen Hi-Tech Innovation Industrial Park (North of Shenbao Avenue) (保定深圳高新技術科技創新產業園基礎設施建設項目道路工程(深保大道以北)) | 2.05 | Hebei |
| | Construction of Yili Modern Intelligent Health Valley Core Launch Area Infrastructure Construction Project - Taigemu Avenue (Phase II) (伊利現代智慧健康谷核心啟動區基礎設施建設項目-台閣牧大道(二期)施工) | 1.49 | Inner Mongolia Autonomous Region |
| Decoration | Beijing New Airport Education and Scientific Research Station Decoration Project (北京新機場教育科研基地裝修工程) | 0.81 | Beijing |
| Specialized and Other Construction | Comprehensive Treatment of Baoding Fu River Water System (Phase II) - Huanghuagou Ecological Facility Comprehensive Improvement Project (General Contracting) (保定市府河水系綜合治理(二期)-黃花溝生態設施綜合提升工程(工程總承包)) | 9.06 | Hebei |
| | 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 |
| | Section 2 of Jin'an Lake Project (Construction) (晉安湖項目第2標段(施工)) | 2.59 | Fujian |

Representative projects of completed projects

| Business segment | Name of project | Executive contract value (RMB100 million) | Region |
|---------------------------------------|---|---|----------------------------------|
| Public building | Comprehensive Commercial and Financial Services Land Project at Lot X78C2, Hexi District, Beijing Economic and Technological Development Zone (北京經濟技術開發區河西區X78C2地塊綜合性商業金融服務業用地項目) | 3.78 | Beijing |
| | Construction Project of Teaching Building and Apartment Building of Baotou Teachers' College of Inner Mongolia University of Science and Technology (內蒙古科技大學包頭師範學院教學樓及公寓樓項目工程施工) | 2.56 | Inner Mongolia Autonomous Region |
| Residential building | General Contracting (Section 2) of Zhonghai · Boyuefu Construction Project (中海·鉑悅府建設項目總承包(二標段)工程) | 1.84 | Inner Mongolia Autonomous Region |
| Industrial building | 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) | 9.33 | Guangdong |
| | Phase I Project of Waste Lead-acid Battery Disposal and Comprehensive Utilization of Lead-containing Waste with Annual Capacity of 300,000 tonnes (年處置30萬噸廢鉛蓄電池及含鉛廢物綜合利用一期工程) | 1.79 | Hebei |
| Municipal infrastructure construction | Wangtong-Liuzhimiao-Beiliuzhi Natural Gas Utilization Project (王瞳—留智廟—北留智天然氣利用工程) | 0.54 | Hebei |

PART II: RESEARCH AND DEVELOPMENT ACHIEVEMENTS AND AWARDS

In the first half of 2022, the Company 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 “Research and Development of Integrated Device for Emergency Water Purification and Rapid Assessment of Water Quality” was admitted by the Hebei Provincial Department of Science and Technology as a central leading local science and technology development fund project in 2022. Five of our projects were admitted by the Hebei Provincial Department of Housing and Urban-Rural Development as construction technology projects and two of our projects were admitted as technology demonstration projects, and nine of our projects were admitted by Hebei Building Industry Association as technology projects in 2022.
2. Enterprise level science and technology projects: in 2021, we incurred research and development expenses of RMB25.46 million for 230 enterprise level science and technology projects. In the first half of 2022, we initiated 167 enterprise level research and development projects and carried out research and development activities in an orderly manner.
3. Technology progress and awards: five of our projects were recognized as outstanding engineering, survey and design projects of Hebei Province, and 22 of our projects received the Scientific and Technological Progress Awards for Construction Industry in Hebei Province. We made 22 applications for the Science and Technology Awards of Hebei Building Industry Association, recommended and applied for 15 promotable patents of China Association of Construction Enterprise Management, participated in 11 micro technology competitions, received four first prizes, nine second prizes and 11 outstanding awards for promotable patents of Hebei Construction Industry Association; and was awarded one extraordinary achievement, five first-class achievements, three second-class achievements and four excellent achievements in the micro technology competition held by Hebei Construction Industry Association.

BUSINESS OVERVIEW

4. Construction and operation of technology platform: we carried out platform construction and operation with increased efforts, completed the assessment for national prefabricated construction industrial base, completed the acceptance report for construction of academician workstation and passed the expert acceptance inspection organized by the municipal science and technology bureau, 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 2022, we obtained 93 new patents (including three invention patents), submitted 65 patent applications (including 13 applications for invention patents).

In the first half of 2022, in terms of quality awards, 36 projects were awarded as high-quality structure projects in Hebei Province, one project was awarded as a high-quality construction structure projects in Tianjin, ten projects were awarded as high-quality construction structure projects in Inner Mongolia Autonomous Region, one project was awarded as a golden cup municipal demonstration project in Inner Mongolia Autonomous Region, three projects received the high-quality project awards in Inner Mongolia Autonomous Region, one project received the steel structure golden award in Zhejiang Province, two projects were awarded as “Ecological Cup” demonstration projects in Inner Mongolia Autonomous Region, and one project was awarded as an excellent survey and design achievement in Hebei Province. We have 138 provincial outstanding QC achievements, of which ten were recommended to China Construction Industry Association and three were recommended to China Association of Construction Enterprise Management, which all passed the preliminary assessment.

PART III: OUTLOOK

This year is the 70th anniversary of the founding of Hebei Construction Group. In the past 70 years, Hebei Construction Group firmly adhered to its original aspiration and mission of “ensuring the well-being of employees, promoting development of enterprises and making contribution to the society”, strived to become a leading comprehensive construction service provider and municipal service provider, and made tremendous changes.

In the second half of 2022, the Company will continue to adhere to the general keynote of “focusing on maintaining stability while seeking growth” and diligently perform various tasks to ensure the achievement of annual targets.

Firstly, we will identify our development goals and continuously gather consensus.

Those who share the same ambition will win, and those who sail together through thick and thin will prosper. The Company will continuously establish a multi-level target system and further utilize the important functions of target motivation in identifying the development direction, uniting people, clarifying responsibilities and fully implementing strategies. It will guide all staff to firmly develop the value of “fighting for happiness”, that is “the fighting process is enjoyable, success requires hardwork, and building a happy enterprise requires the concerted efforts of all staff”.

Secondly, we will put great efforts in market expansion and keep expanding the incremental benefits.

The Company strives to develop strong customer service capability through the establishment of a network of organizations at all levels. It requires organizations at all levels and every staff to focus all their efforts on the core element of customer service and maintain and develop the market with honest practices.

To capture the unprecedented strategic opportunities in the construction market in Baoding, the Company shall make full use of the Group’s brand and reputation and strive to undertake more quality projects. Meanwhile, the Company will further strengthen its market presence in the Beijing-Tianjin-Hebei region, seize opportunities from the infrastructure investment policies, strive to undertake high-quality projects with reliable funding sources such as special bonds, and carry out regional market development.

In view of the current economic situation, the Company will strictly control project undertaking, perform strict pre-tender assessment and contract evaluation to prevent the entry of risky projects. It will pay special attention to the economic estimates in the early stage of EPC project management and strengthen risk control in the whole process of project operation.

Thirdly, we will strengthen our profitability and continuously improve our efficiency.

The Company will continue to focus on “risk control, structure adjustment and debt reduction” and continuously promote management improvement and upgrading to enable the Company to smoothly navigate through economic cycles and achieve steady development.

BUSINESS OVERVIEW

The Company will continue to improve its ability to generate benefits as represented by its profit to production ratio. It will enhance project profitability through measures such as whole process planning, secondary management, sunshine contracting and centralised procurement; facilitate settlement and payment collection, maintain stable operation of financial and credit business, revitalise existing assets and ensure cash flow security; and strengthen prevention of various risks and change from post-event remediation to pre-event detection and process control.

The Company will further improve its professional capabilities, further increase the profitability of its professional projects and focus on the quality of its development. It will follow the national policies and practices of leading enterprises in the industry, and make technology reserves in green construction, intelligent construction, low-carbon operation and environmental protection, etc., thereby further enhancing its technological capabilities.

The Company shall cultivate new opportunities in the crisis, make breakthrough in changes, continuously develop new market growth drivers, solve the development problems with innovative measures, and serve the society, reward our Shareholders and benefit our employees with favourable development results.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue, Cost of sales and Gross Profit

The revenue for the six months ended 30 June 2022 amounted to RMB16,589 million, representing a decrease of approximately RMB3,381 million as compared with the corresponding period of last year, which was mainly due to the decrease in revenue from construction contracting business of RMB3,525 million.

Segment operating results of construction contracting business

| | Six months ended 30 June 2022 | | | | Six months ended 30 June 2021 | | | |
|--|--------------------------------|-----------------------------|-----------------------------|-----------------|--------------------------------|-----------------------------|-----------------------------|-----------------|
| | Revenue (RMB100 million) | Cost (RMB100 million) | Gross profit margin % | Percentage % | Revenue (RMB100 million) | Cost (RMB100 million) | Gross profit margin % | Percentage % |
| Building construction business | 113.18 | 108.06 | 4.5 | 70.4 | 132.69 | 126.45 | 4.7 | 67.7 |
| Infrastructure construction business | 35.43 | 33.27 | 6.1 | 22.1 | 47.63 | 44.61 | 6.3 | 24.3 |
| Specialized and other construction business | 12.05 | 11.41 | 5.3 | 7.5 | 15.59 | 14.64 | 6.1 | 8.0 |
| Total | 160.66 | 152.74 | 4.9 | | 195.91 | 185.70 | 5.2 | |

The revenue from construction contracting business for the six months ended 30 June 2022 decreased by RMB3,525 million, which was mainly due to the fact that certain major projects of the Group were completed as compared to the same period of last year.

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

- (1) For building construction business, being the largest revenue contributor to construction contracting business, during the Reporting Period, certain major projects such as the Winter Olympic Games EPC general contracting project and the China Khitan Museum construction project were completed, and as a result, revenue from the building construction business decreased by RMB1,951 million as compared to the same period of last year. During the Reporting Period, the gross profit of the building construction business was lower than the same period of last year due to the impact of the depressed property market.

MANAGEMENT DISCUSSION AND ANALYSIS

- (2) The revenue from infrastructure construction business decreased by RMB1,220 million as compared to the same period of last year, which was mainly due to the completion of certain infrastructure construction projects such as the Baoding Yindingzhuang Wastewater Treatment Plant project.
- (3) In the first half of 2022, the revenue from specialized and other construction business decreased by RMB354 million as compared to the same period of last year. Such business mainly includes mechanical and electrical installation and steel structure, which has a shorter construction period. The number of new projects of specialized and other construction business secured during the Reporting Period was lower than that of the first half of 2021, resulting in lower revenue as compared to the same period of last year. Meanwhile, certain projects with high gross profit were completed in 2022, resulting in decrease in gross profit.

Selling and Distribution Expenses

The selling and distribution expenses for January to June 2022 amounted to RMB0.74 million, which remained basically the same as compared to the same period of last year.

General and Administrative Expenses

In the first half of 2022, the Group's general and administrative expenses amounted to RMB283 million, representing an increase of RMB12 million as compared to the same period in 2021. This was mainly due to the slight increase in salary 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 Expenses

The research and development expenses of the Group for the first half of 2022 amounted to RMB22 million, representing an increase of RMB8 million as compared to the corresponding period of 2021. The research and development expenses is mainly the costs incurred for research of special projects or production process by the Group, including the cost of materials utilised and salary of senior engineers involved in research and development. The increase in research and development costs was mainly due to the implementation of new construction technology research and development projects during the Reporting Period.

Impairment Losses of Credit Losses

Impairment losses of credit losses for January to June 2022 amounted to RMB34 million, representing a decrease of RMB60 million as compared to the same period of 2021, which was mainly due to the decrease in bad debt provision made individually by the Group for customers with significant risk of default based on operating conditions of the customer companies and recovery of payment.

Impairment Losses on Assets

Impairment losses on assets for January to June 2022 amounted to RMB135 million, representing a decrease of RMB97 million as compared to the same period of 2021, which was mainly due to the decrease in additional bad debt provision for contract assets resulting from the decrease in new defaulting customers during the Reporting Period as compared to the same period of last year.

Investment Income

The investment income for January to June 2022 amounted to RMB25 million, representing a decrease of RMB4 million as compared to the corresponding period of 2021, which was mainly due to the decrease in dividends declared by the investees as compared to the corresponding period of last year.

Income Tax Expenses

The income tax expenses for January to June 2022 amounted to RMB62 million, representing an increase of RMB8.6 million as compared to the corresponding period of last year, which was mainly due to the decrease in non-taxable income in the current period as compared to the same period of last year, and the increase in unrecognised deductible temporary differences and deductible losses in the current period as compared to the first half of 2021.

Net Profit

Based on the above factors, net profit for the first half of 2022 was RMB154 million, representing a decrease of approximately RMB75 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 2022 and 31 December 2021, the Group had cash and cash equivalents of approximately RMB7,055 million and approximately RMB8,810 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 2022, currency funds of the Group were RMB7,055 million, representing a decrease of RMB1,755 million as compared with that at the end of 2021, which was mainly due to the net cash outflows resulted from the increase in operating 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 2022, the long-term equity investment was RMB508 million, representing a decrease of RMB14 million as compared with that at the end of 2021, which was mainly due to the change in profit or loss of investments under equity method.

Accounts Receivable and Long-term Receivables

As of 30 June 2022, the net value of accounts receivable was RMB7,388 million, representing a decrease of approximately RMB352 million as compared with that at the end of 2021, and the overall change was insignificant.

The balance of long-term receivables (including the portion due within one year) was RMB201 million, representing a decrease of approximately RMB12 million as compared with that at the end of 2021, which was mainly due to the collection of long-term receivables due for payment.

Other Receivables

As of 30 June 2022, net amount of other receivables of the Group was RMB2,620 million, representing a relatively small increase of approximately RMB2 million as compared to that at the end of last year.

Contract Assets and Construction Services Contract Liabilities

The net value of contract assets as of 30 June 2022 was RMB40,167 million, representing a decrease of approximately RMB1,996 million as compared with that at the end of 2021, which was mainly due to the decrease in revenue during the Reporting Period. Contract liabilities as of 30 June 2022 were RMB6,468 million, representing an increase of approximately RMB461 million as compared with that at the end of 2021, which was mainly due to the construction prepayments made by customers to ensure normal construction of certain new projects undertaken during the year.

Other Equity Instrument Investments

The carrying value of other equity instrument investments as at 30 June 2022 was RMB767 million, representing a relatively small decrease of approximately RMB13 million as compared with that at the end of 2021.

Borrowings

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

As at 30 June 2022, the Group's interest-bearing borrowings were approximately RMB5,941 million (31 December 2021: approximately RMB5,479 million).

Bills and Accounts Payable

The balance of accounts payable as at 30 June 2022 was RMB33,372 million, representing a decrease of RMB4,564 million as compared with that at the end of 2021. Such change was mainly due to the decrease in business volume which led to a corresponding decrease in procurement amount during the Reporting Period; in addition, affected by the economic downturn, downstream suppliers were under financial pressure and the proportion of cash paid for major materials and subcontracting increased. The balance of bills payable decreased by RMB130 million compared with that at the end of the previous year, which was mainly due to the decrease in the proportion of bill payment by the Group.

Capital Expenditures

Capital expenditures in the first half of 2022 were approximately RMB59 million, representing a decrease of RMB73 million as compared to the corresponding period of 2021, which was mainly due to no significant capital expenditure for procurement of fixed assets during the Reporting Period.

Capital Commitment

As at 30 June 2022, the Group did not have any material capital commitment.

Financial Ratios

| | 30 June 2022 | 31 December 2021 |
|--|-------------------------|---------------------|
| Current ratio (times) ⁽¹⁾ | 1.0 | 1.0 |
| Quick ratio (times) ⁽²⁾ | 1.0 | 1.0 |
| Gearing ratio ⁽³⁾ | 98.7% | 93.3% |
| Return on assets ⁽⁴⁾ (not annualized) | 0.2% | -0.6% |
| Return on equity ⁽⁵⁾ (not annualized) | 2.6% | -5.8% |

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 2022, the banking facilities granted to third parties subject to guarantees given to the banks by the Group were utilised to the extent of approximately RMB530 million, and contingent liabilities arising from pending litigation or arbitration amounted to RMB10 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 2022, the Group has had a total of 8,934 full-time employees (31 December 2021: 9,064). 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".

Asset Pledge

For details of the Group's asset pledge during the Reporting Period, please refer to note V-11 to the financial statements.

OTHER MATTERS

ISSUED SHARE CAPITAL

As at 30 June 2022, 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 Terms of Reference 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 2022, 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 therein.

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 2022.

AMENDMENTS TO THE ARTICLES OF ASSOCIATION

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

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS FOR 2023 TO 2025

The Company has entered into the New Labor Subcontract Framework Agreement with Baoding Tianli on 26 May 2022, and proposed the annual caps for 2023, 2024 and 2025 thereunder to renew such continuing connected transactions. Pursuant to such agreement, Baoding Tianli and its associates shall provide labor subcontract services to the Group in its ordinary course of business, including but not limited to contracting for building construction projects and infrastructure construction projects, for which Baoding Tianli will charge the Group subcontract fees (including subcontract service fees, labor wages and social insurance expenses, taxation, auxiliary materials and tools costs, and other fees). The annual caps on the total subcontracting fees payable by the Group to Baoding Tianli and its associates for the three years ending 31 December 2023, 2024 and 2025 are RMB4,000.00 million. For details, please refer to the Company's announcement dated 26 May 2022, the circular dated 9 June 2022 for the 2021 AGM and the announcement of poll results of the 2021 AGM dated 28 June 2022.

The Company has entered into the New Property Leasing Framework Agreement with Zhongming Zhiye on 26 May 2022, and proposed the annual caps for 2023, 2024 and 2025 thereunder to renew such continuing connected transactions. Pursuant to such agreement, Zhongming Zhiye and its associates may lease properties as offices, workshops, warehouses and/or other work places to the Group, for which Zhongming Zhiye and its associates will charge the Group rental and other charges. For the three years ending 31 December 2023, 2024 and 2025, the proposed annual caps of the rental and other charges to be paid by the Group to Zhongming Zhiye and its associates for use of relevant properties are RMB9.00 million. For details, please refer to the Company's announcement dated 26 May 2022.

The Company has entered into the New Leased Property Framework Agreement with Zhongming Zhiye on 26 May 2022, and proposed the annual caps for 2023, 2024 and 2025 thereunder to renew such continuing connected transactions. Pursuant to such agreement, the Group may lease properties as offices, workshops, warehouses and/or other work places to Zhongming Zhiye and its associates, for which the Group will charge Zhongming Zhiye and its associates rental and other charges. For the three years ending 31 December 2023, 2024 and 2025, the proposed annual caps of rental and other charges to be paid by Zhongming Zhiye and its associates to the Group for use of relevant properties are RMB5.00 million. For details, please refer to the Company's announcement dated 26 May 2022.

OTHER MATTERS

The Company has entered into the New Comprehensive Services Framework Agreement with Zhongming Zhiye on 26 May 2022, and proposed the annual caps for 2023, 2024 and 2025 thereunder to renew such continuing connected transactions. Pursuant to such agreement, Zhongming Zhiye and its associates may provide certain ancillary services, such as quality inspections for building constructions and surveying and mapping services, for the Group's engineering construction, for which the Group will pay service fees to Zhongming Zhiye and its associates. For the three years ending 31 December 2023, 2024 and 2025, the proposed annual caps of the total service fees payable by the Group for the comprehensive services provided by Zhongming Zhiye and its associates are RMB32.00 million, RMB42.00 million and RMB54.00 million, respectively. For details, please refer to the Company's announcement dated 26 May 2022.

The Company has entered into the New Goods Procurement Framework Agreement with Zhongming Zhiye on 26 May 2022, and proposed the annual caps for 2023, 2024 and 2025 thereunder to renew such continuing connected transactions. Pursuant to such agreement, Zhongming Zhiye and its associates may sell goods to the Group, which include but are not limited to steel and processed products, cement and related products, concrete and mortar, timber and processed products, flooring materials, brick and tile, insulation materials, waterproofing materials, fittings and equipment for water heating and gas, hardware and electrical materials, doors and windows, paints and coatings, garden seedlings, lifts, road materials, and the Group will make relevant payment to Zhongming Zhiye and its associates for procurement of relevant goods. For the three years ending 31 December 2023, 2024 and 2025, the proposed annual caps of total payment made by the Group to Zhongming Zhiye and its associates for the goods purchased are RMB5.00 million. For details, please refer to the Company's announcement dated 26 May 2022.

The Company has entered into the New Property Services Framework Agreement with Zhongming Zhiye on 26 May 2022, and proposed the annual caps for 2023, 2024 and 2025 thereunder to renew such continuing connected transactions. Pursuant to such agreement, Zhongming Zhiye and its associates may provide property services to the Group, which include but are not limited to management and maintenance services for property facilities and equipment, public place order and security services, public hygiene and cleaning services, maintenance and management services for public landscaping and gardening, management services for archives such as relevant engineering drawings and completion acceptance materials, public area maintenance and other property management related services, and the Group will pay total service fees to Zhongming Zhiye and its associates. For the three years ending 31 December 2023, 2024 and 2025, the proposed annual caps of the total service fees paid by the Group for the property services provided by Zhongming Zhiye and its associates are RMB8.50 million, RMB9.30 million and RMB10.50 million, respectively. For details, please refer to the Company's announcement dated 26 May 2022.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor its subsidiaries have purchased, sold or redeemed any of its listed securities for the six months ended 30 June 2022.

DIVIDEND DISTRIBUTION

2021 Final Dividend

According to the “Profit Distribution Proposal for 2021” considered and approved by the Shareholders at the 2021 AGM convened on 28 June 2022, in order to ensure the continuous and stable operation of the Company and to safeguard the long-term interests of all Shareholders, and taking into account the Company’s business plan and capital requirements for 2022, the Company did not distribute a final dividend to Shareholders for the year ended 31 December 2021. For details, please refer to the Company’s circular dated 9 June 2022 and the announcement dated 28 June 2022 published on the website of the Hong Kong Stock Exchange.

2022 Interim Dividend

The Board does not recommend the distribution of interim dividend for the six months ended 30 June 2022.

SIGNIFICANT SUBSEQUENT EVENTS

Save as disclosed in the Company’s interim results announcement for the six months ended 30 June 2022 dated 29 August 2022, there has been no major subsequent event of the Group from 30 June 2022 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 2022, the 2022 interim report and the unaudited interim financial statements for the six months ended 30 June 2022 prepared in accordance with CASBE.

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 2022, the total share capital in issue 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 2022, the interests and short positions of the Directors, the Supervisors and chief executives of the Company in the Shares, underlying Shares or debentures of the Company or its associated corporations (as defined in Part XV of the SFO) which were (i) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (ii) recorded in the register kept under Section 352 of the SFO; or (iii) required to be notified to the Company and the Stock Exchange pursuant to the Model Code are as follows:

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

| Name of the Directors, Supervisors and chief executives | Capacity | Number of Shares interested | Class of Shares | Nature of interest | Approximate percentage of shareholding in the relevant class of Shares as at 30 June 2022 | Approximate percentage of shareholding in the total issued share capital of the Company as at 30 June 2022 |
|---|------------------------------------|-----------------------------|-----------------|--------------------|---|--|
| | | | | | | |
| Mr. Li Baoyuan ¹ | Interest in controlled corporation | 1,300,000,000 | Domestic Shares | Long position | 100% | 73.80% |

Note: 1. As at 30 June 2022, Qianbao Investment directly holds 5.54% of the equity interests in the Company and 39.61% of the equity interests in Zhongru Investment. In addition, each of the 146 individuals holding in aggregate the remaining 60.39% 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 2022, 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 255,000,000 shares, in Zhongru Investment and thus be interested in the 1,300,000,000 Shares directly or indirectly held by Qianbao Investment for the purpose of Part XV of the SFO.

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

| Name of the Directors, Supervisors and chief executives | Name of associated corporation | Capacity | Number of ordinary shares interested in the associated corporation | Nature of interest | Approximate percentage of issued share capital of associated corporation as at 30 June 2022 |
|---|---------------------------------|------------------------------------|--|--------------------|---|
| Directors | | | | | |
| Mr. Li Baoyuan ¹ | Qianbao Investment ² | Beneficial owner | 45,000,000 | Long position | 90.00% |
| | Zhongru Investment ³ | Interest in controlled corporation | 255,000,000 | Long position | 100.00% |
| Mr. Li Baozhong | Qianbao Investment ² | Beneficial owner | 5,000,000 | Long position | 10.00% |
| Mr. Cao Qingshe | Zhongru Investment ³ | Beneficial owner | 5,000,000 | Long position | 1.97% |
| Mr. Shang Jinfeng | Zhongru Investment ³ | Beneficial owner | 1,000,000 | Long position | 0.39% |
| Mr. Zhao Wensheng | Zhongru Investment ³ | Beneficial owner | 1,000,000 | Long position | 0.39% |
| Mr. Liu Yongjian | Zhongru Investment ³ | Beneficial owner | 2,000,000 | Long position | 0.79% |
| Supervisors | | | | | |
| Mr. Yu Xuefeng | Zhongru Investment ³ | Beneficial owner | 1,000,000 | Long position | 0.39% |
| Ms. Feng Xiujian | Zhongru Investment ³ | Beneficial owner | 1,000,000 | Long position | 0.39% |
| Mr. Wang Feng | Zhongru Investment ³ | Beneficial owner | 1,000,000 | Long position | 0.39% |
| Mr. Liu Jingqiao | Zhongru Investment ³ | Beneficial owner | 500,000 | Long position | 0.20% |
| Mr. Yue Jianming | Zhongru Investment ³ | Beneficial owner | 500,000 | Long position | 0.20% |

CHANGES IN SHARE CAPITAL AND INFORMATION OF SHAREHOLDERS

Notes:

1. As at 30 June 2022, Mr. Li Baoyuan directly holds 90% of the equity interests in Qianbao Investment, and Qianbao Investment directly holds 39.61% of the equity interests in Zhongru Investment. In addition, each of the 146 individuals holding in aggregate the remaining 60.39% 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 255,000,000 shares, in Zhongru Investment.
2. As at 30 June 2022, the total share capital of Qianbao Investment is 50,000,000 shares.
3. As at 30 June 2022, the total share capital of Zhongru Investment is 255,000,000 shares.

Save as disclosed above, so far as any Directors, Supervisors or chief executives of the Company are aware, as at 30 June 2022, 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 2022, 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 2022, 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 2022 | Approximate percentage of shareholding in total issued share capital of the Company as at 30 June 2022 |
|---------------------------------|------------------------------------|-----------------------------|-----------------|--------------------|---|--|
| Zhongru Investment | Beneficial owner | 1,202,500,000 | Domestic Shares | Long position | 92.50% | 68.27% |
| Qianbao Investment ¹ | Interest in controlled corporation | 1,202,500,000 | Domestic Shares | Long position | 92.50% | 68.27% |
| | Beneficial owner | 97,500,000 | Domestic Shares | Long position | 7.50% | 5.54% |

Note: 1. As at 30 June 2022, Qianbao Investment directly holds 5.54% of the equity interests in the Company and 39.61% of the equity interests in Zhongru Investment. In addition, each of the 146 individuals holding in aggregate the remaining 60.39% of the equity interests in Zhongru Investment has respectively undertaken that they have followed since the establishment of Zhongru Investment or when each of them became a shareholder of Zhongru Investment, and will continue to follow Qianbao Investment in exercising their voting powers at general meetings of Zhongru Investment and all other rights of shareholders of Zhongru Investment. Therefore, Qianbao Investment is deemed to be interested in 100% of the equity interests in Zhongru Investment and thus be interested in the 1,202,500,000 Domestic Shares held by Zhongru Investment for the purpose of Part XV of the SFO.

INFORMATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

INFORMATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

The Board of Directors has 9 Directors, including: 4 executive Directors, namely Mr. Li Baozhong, Mr. Shang Jinfeng, Mr. 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 2022
RMB'000

| Assets | <i>Note V</i> | 30 June 2022 (Unaudited) | 31 December 2021 |
|--|---------------|-------------------------------------|------------------|
| Current assets | | | |
| Cash and cash equivalents | | 7,055,328 | 8,809,963 |
| Held-for-trading financial assets | | 1,898 | 2,472 |
| Accounts receivable | 1 | 7,388,188 | 7,740,447 |
| Receivables at fair value through other comprehensive income | | 355,702 | 504,212 |
| Prepayments | | 728,286 | 764,030 |
| Other receivables | | 2,619,651 | 2,617,864 |
| Inventories | | 251,663 | 265,873 |
| Contract assets | | 37,526,593 | 39,658,331 |
| Current portion of non-current assets | | 50,606 | 49,386 |
| Other current assets | | 421,676 | 414,533 |
| Total current assets | | 56,399,591 | 60,827,111 |
| Non-current assets | | | |
| Long-term receivables | 1 | 150,650 | 164,226 |
| Long-term equity investments | 2 | 508,300 | 522,110 |
| Contract assets | | 2,640,821 | 2,504,857 |
| Other equity instrument investments | | 766,744 | 779,793 |
| Investment property | | 137,400 | 137,000 |
| Fixed assets | 3 | 938,712 | 954,757 |
| Construction in progress | | 254,124 | 163,644 |
| Right-of-use assets | | 21,077 | 24,011 |
| Intangible assets | | 97,435 | 98,539 |
| Deferred tax assets | | 801,774 | 771,205 |
| Total non-current assets | | 6,317,037 | 6,120,142 |
| Total assets | | 62,716,628 | 66,947,253 |

The accompanying notes to financial statements form an integral part of these financial statements

INTERIM CONSOLIDATED BALANCE SHEET (UNAUDITED)

30 June 2022
RMB'000

| Liabilities and owners' equity | <i>Note V</i> | 30 June 2022 (Unaudited) | 31 December 2021 |
|--|---------------|-------------------------------------|------------------|
| Current liabilities | | | |
| Short-term borrowings | | 2,546,897 | 2,260,771 |
| Bills payable | | 785,249 | 915,410 |
| Accounts payable | 4 | 33,372,442 | 37,936,655 |
| Contract liabilities | | 6,468,084 | 6,006,902 |
| Employee benefits payable | | 218,010 | 209,025 |
| Taxes payable | | 767,311 | 858,261 |
| Other payables | | 5,540,175 | 6,073,401 |
| Current portion of non-current liabilities | | 988,377 | 1,498,619 |
| Other current liabilities | | 3,584,492 | 3,571,785 |
| Total current liabilities | | 54,271,037 | 59,330,829 |
| Non-current liabilities | | | |
| Long-term borrowings | | 2,420,373 | 1,729,252 |
| Lease liabilities | | 7,409 | 14,580 |
| Total non-current liabilities | | 2,427,782 | 1,743,832 |
| Total liabilities | | 56,698,819 | 61,074,661 |
| Owners' equity | | | |
| Share capital | | 1,761,384 | 1,761,384 |
| Capital reserve | | 1,662,063 | 1,662,063 |
| Other comprehensive income | | 169,198 | 178,092 |
| Surplus reserve | | 500,912 | 500,912 |
| Retained profit | | 1,750,476 | 1,591,242 |
| Total equity attributable to owners of the Company | | 5,844,033 | 5,693,693 |
| Non-controlling interests | | 173,776 | 178,899 |
| Total owners' equity | | 6,017,809 | 5,872,592 |
| Total liabilities and owners' equity | | 62,716,628 | 66,947,253 |

The financial statements have been signed by:

Legal Representative:

Financial controller:

Accounting supervisor:

The accompanying notes to financial statements form an integral part of these financial statements

INTERIM CONSOLIDATED INCOME STATEMENT (UNAUDITED)

Period from 1 January to 30 June 2022
RMB'000

| | Note V | Period from 1 January to 30 June 2022 (Unaudited) | Period from 1 January to 30 June 2021 (Unaudited) |
|---|--------|--|--|
| Revenue | 5 | 16,589,225 | 19,970,407 |
| Less: Cost of sales | | 15,712,887 | 18,890,792 |
| Taxes and surcharges | | 39,488 | 47,836 |
| Selling and distribution expenses | | 743 | 527 |
| General and administrative expenses | | 282,746 | 270,705 |
| Research and development expenses | | 22,222 | 14,527 |
| Finance costs | | 172,103 | 159,937 |
| Including: Interest expenses | | 188,018 | 182,470 |
| Interest income | | 13,480 | 21,876 |
| Add: Other income | | 1,271 | - |
| Investment income | | 25,167 | 28,824 |
| Including: Share of losses of joint ventures and associates | | (63) | (450) |
| Losses on derecognition of financial assets at amortised cost | | (8,567) | (35,526) |
| Gains on fair value changes | | 384 | 1,274 |
| Impairment losses of credit losses | 6 | (34,206) | (94,369) |
| Impairment losses on assets | 7 | (134,562) | (231,694) |
| Gains from disposal of assets | | - | 1,829 |
| Operating profit | | 217,090 | 291,947 |
| Add: Non-operating income | | 3,276 | 747 |
| Less: Non-operating expenses | | 4,629 | 10,614 |
| Total profit | | 215,737 | 282,080 |
| Less: Income tax expenses | 8 | 61,626 | 52,999 |
| Net profit | | 154,111 | 229,081 |

The accompanying notes to financial statements form an integral part of these financial statements

INTERIM CONSOLIDATED INCOME STATEMENT (UNAUDITED)

Period from 1 January to 30 June 2022
RMB'000

| | <i>Note V</i> | Period from 1 January to 30 June 2022 (Unaudited) | Period from 1 January to 30 June 2021 (Unaudited) |
|---|---------------|--|--|
| Classified by the continuity of operation | | | |
| Net profit from continuing operations | | 154,111 | 229,081 |
| Classified by the ownership | | | |
| Net profit attributable to owners of the Company | | 159,234 | 236,829 |
| Loss attributable to non-controlling interests | | (5,123) | (7,748) |
| Other comprehensive (loss)/income, net of tax | | (8,894) | 12,092 |
| Other comprehensive (loss)/income, net of tax, attributable to shareholders of the parent | | (8,894) | 12,092 |
| Other comprehensive (loss)/income that cannot be reclassified to profit and loss | | | |
| Changes in fair value of other equity instrument investments | | (9,787) | 10,015 |
| Other comprehensive income that will be reclassified to profit and loss | | | |
| Changes in fair value of receivables at fair value through other comprehensive income | | 893 | 2,077 |
| Total comprehensive income | | 145,217 | 241,173 |
| Including: | | | |
| Total comprehensive income attributable to owners of the Company | | 150,340 | 248,921 |
| Total comprehensive loss attributable to non-controlling interests | | (5,123) | (7,748) |
| Earnings per share (RMB/share) | | | |
| Basic and diluted earnings per share | <i>10</i> | 0.09 | 0.13 |

The accompanying notes to financial statements form an integral part of these financial statements

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

Period from 1 January to 30 June 2022
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 | 1,662,063 | 178,092 | - | 500,912 | 1,591,242 | 5,693,693 | 178,899 | 5,872,592 |
| II. Changes for the period | | | | | | | | | |
| (I) Total comprehensive income | - | - | (8,894) | - | - | 159,234 | 150,340 | (5,123) | 145,217 |
| (II) Special reserve | | | | | | | | | |
| 1. Appropriation for the period | - | - | - | 331,785 | - | - | 331,785 | - | 331,785 |
| 2. Use in the period | - | - | - | (331,785) | - | - | (331,785) | - | (331,785) |
| III. Closing balance of the period | 1,761,384 | 1,662,063 | 169,198 | - | 500,912 | 1,750,476 | 5,844,033 | 173,776 | 6,017,809 |

The accompanying notes to financial statements 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 accompanying notes to financial statements form an integral part of these financial statements

INTERIM CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

Period from 1 January to 30 June 2022
RMB'000

| Note V | Period from 1 January to 30 June 2022 (Unaudited) | Period from 1 January to 30 June 2021 (Unaudited) |
|---|--|--|
| I. CASH FLOWS USED IN OPERATING ACTIVITIES: | | |
| Cash received from sales of goods or rendering of services | 20,953,643 | 22,746,029 |
| Other cash receipts related to operating activities | 5,311,557 | 7,011,738 |
| Subtotal of cash inflows from operating activities | 26,265,200 | 29,757,767 |
| Cash paid for goods and services | 21,151,221 | 22,741,130 |
| Cash paid to and for employees | 498,345 | 456,268 |
| Taxes paid | 537,745 | 752,774 |
| Other cash payments related to operating activities | 6,012,429 | 7,678,562 |
| Subtotal of cash outflows from operating activities | 28,199,740 | 31,628,734 |
| Net cash flows used in operating activities | (1,934,540) | (1,870,967) |
| II. CASH FLOWS USED IN INVESTING ACTIVITIES: | | |
| Cash received from return of investment | 1,463 | - |
| Cash received from investment income | 12,065 | 16,555 |
| Net cash received from disposal of fixed assets and other long-term assets | 162 | 13,351 |
| Subtotal of cash inflows from investing activities | 13,690 | 29,906 |
| Cash paid for the purchase and construction of fixed assets, intangible assets and other long-term assets | 59,387 | 132,399 |
| Cash paid to acquire investments | 7,454 | 10,929 |
| Subtotal of cash outflows from investing activities | 66,841 | 143,328 |
| Net cash flows used in investing activities | (53,151) | (113,422) |

The accompanying notes to financial statements form an integral part of these financial statements

INTERIM CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

Period from 1 January to 30 June 2022
RMB'000

| | Note V | Period from 1 January to 30 June 2022 (Unaudited) | Period from 1 January to 30 June 2021 (Unaudited) |
|--|--------|--|--|
| III. CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES: | | | |
| Cash received from capital contributions Including: Cash received from minority shareholders' capital contributions to subsidiaries | | - | 5,000 |
| Cash received from borrowings | | 1,717,162 | 2,666,568 |
| Subtotal of cash inflows from financing activities | | 1,717,162 | 2,671,568 |
| Cash paid for repayments of debts | | 1,255,243 | 2,695,416 |
| Cash paid for distribution of dividends, profits or interest repayment | | 186,143 | 175,398 |
| Other cash payments related to financing activities | | 23,971 | 46,600 |
| Subtotal of cash outflows from financing activities | | 1,465,357 | 2,917,414 |
| Net cash flows from/(used in) financing activities | | 251,805 | (245,846) |
| IV. EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS | | 2,435 | 657 |
| V. NET DECREASE IN CASH AND CASH EQUIVALENTS | | (1,733,451) | (2,229,578) |
| Add: Opening balance of cash and cash equivalents | | 8,307,228 | 8,000,565 |
| VI. CLOSING BALANCE OF CASH AND CASH EQUIVALENTS | | 6,573,777 | 5,770,987 |

The accompanying notes to financial statements form an integral part of these financial statements

COMPANY BALANCE SHEET (UNAUDITED)

30 June 2022
RMB'000

| Assets | 30 June 2022 (Unaudited) | 31 December 2021 |
|---|-------------------------------------|------------------|
| Current assets | | |
| Cash and cash equivalents | 5,415,022 | 6,620,829 |
| Accounts receivable | 5,852,101 | 6,129,013 |
| Receivables at fair value through other comprehensive income | 240,746 | 402,815 |
| Prepayments | 586,879 | 644,556 |
| Other receivables | 1,865,234 | 2,048,130 |
| Inventories | 166,726 | 180,687 |
| Contract assets | 29,543,573 | 31,633,712 |
| Other current assets | 214,548 | 199,683 |
| Total current assets | 43,884,829 | 47,859,425 |
| Non-current assets | | |
| Long-term equity investments | 3,044,999 | 3,029,787 |
| Other equity instrument investments | 766,744 | 779,793 |
| Investment property | 137,400 | 137,000 |
| Fixed assets | 683,772 | 697,695 |
| Construction in progress | 205,590 | 139,829 |
| Right-of-use assets | 13,204 | 12,185 |
| Intangible assets | 483 | 483 |
| Deferred tax assets | 592,486 | 561,900 |
| Total non-current assets | 5,444,678 | 5,358,672 |
| Total assets | 49,329,507 | 53,218,097 |

The accompanying notes to financial statements form an integral part of these financial statements

COMPANY BALANCE SHEET (UNAUDITED)

30 June 2022
RMB'000

| Liabilities and owners' equity | 30 June 2022 (Unaudited) | 31 December 2021 |
|--|-------------------------------------|------------------|
| Current liabilities | | |
| Short-term borrowings | 1,902,223 | 1,609,389 |
| Bills payable | 468,207 | 599,172 |
| Accounts payable | 27,775,445 | 31,233,300 |
| Contract liabilities | 4,708,962 | 4,731,733 |
| Employee benefits payable | 175,519 | 146,211 |
| Taxes payable | 568,827 | 631,662 |
| Other payables | 4,316,573 | 4,826,019 |
| Current portion of non-current liabilities | 299,255 | 619,784 |
| Other current liabilities | 2,945,726 | 2,914,807 |
| Total current liabilities | 43,160,737 | 47,312,077 |
| Non-current liabilities | | |
| Long-term borrowings | 549,868 | 400,582 |
| Lease liabilities | 10,024 | 11,062 |
| Total non-current liabilities | 559,892 | 411,644 |
| Total liabilities | 43,720,629 | 47,723,721 |
| Owners' equity | | |
| Share capital | 1,761,384 | 1,761,384 |
| Capital reserve | 1,447,379 | 1,447,379 |
| Other comprehensive income | 170,665 | 179,023 |
| Surplus reserve | 292,919 | 292,919 |
| Retained profit | 1,936,531 | 1,813,671 |
| Total owners' equity | 5,608,878 | 5,494,376 |
| Total liabilities and owners' equity | 49,329,507 | 53,218,097 |

The accompanying notes to financial statements form an integral part of these financial statements

COMPANY INCOME STATEMENT (UNAUDITED)

Period from 1 January to 30 June 2022
RMB'000

| | Period from 1 January to 30 June 2022 (Unaudited) | Period from 1 January to 30 June 2021 (Unaudited) |
|---|--|--|
| Revenue | 13,531,785 | 15,992,319 |
| Less: Cost of sales | 12,958,574 | 15,185,235 |
| Taxes and surcharges | 29,797 | 34,280 |
| Selling and distribution expenses | 480 | 295 |
| General and administrative expenses | 206,463 | 170,915 |
| Research and development expenses | 6,591 | 10,139 |
| Finance costs | 92,434 | 69,102 |
| Including: Interest expenses | 103,801 | 81,255 |
| Interest income | 8,932 | 11,496 |
| Add: Other income | 360 | - |
| Investment income | 26,655 | 31,721 |
| Including: Share of profits/(losses) of joint ventures and associates | 222 | (140) |
| Losses on derecognition of financial assets at amortised cost | (7,083) | (32,938) |
| Gains on fair value changes | 400 | 1,200 |
| Impairment losses of credit losses | (55,045) | (106,114) |
| Impairment losses on assets | (69,527) | (196,213) |
| Gains from disposal of assets | - | 1,693 |
| Operating profit | 140,289 | 254,640 |
| Add: Non-operating income | 31,481 | 9,518 |
| Less: Non-operating expenses | 4,038 | 10,068 |
| Total profit | 167,732 | 254,090 |
| Less: Income tax expenses | 44,872 | 43,952 |
| Net profit | 122,860 | 210,138 |
| Other comprehensive (loss)/income, net of tax | (8,358) | 10,479 |
| Other comprehensive income that cannot be reclassified to profit and loss | | |
| Changes in fair value of other equity instrument investments | (9,787) | 10,015 |
| Other comprehensive income that will be reclassified to profit and loss | | |
| Changes in fair value of receivables at fair value through other comprehensive income | 1,429 | 464 |
| Total comprehensive income | 114,502 | 220,617 |

The accompanying notes to financial statements form an integral part of these financial statements

COMPANY STATEMENT OF CHANGES IN OWNERS' EQUITY (UNAUDITED)

Period from 1 January to 30 June 2022
RMB'000

| | Share capital | Capital reserve | Other comprehensive income | Special reserve | Surplus reserve | Retained earnings | Total shareholders' equity |
|------------------------------------|---------------|-----------------|----------------------------|-----------------|-----------------|-------------------|----------------------------|
| I. Opening balance of the period | 1,761,384 | 1,447,379 | 179,023 | - | 292,919 | 1,813,671 | 5,494,376 |
| II. Changes for the period | | | | | | | |
| (I) Total comprehensive income | - | - | (8,358) | - | - | 122,860 | 114,502 |
| (II) Special reserve | | | | | | | |
| 1. Appropriation for the period | - | - | - | 270,636 | - | - | 270,636 |
| 2. Use in the period | - | - | - | (270,636) | - | - | (270,636) |
| III. Closing balance of the period | 1,761,384 | 1,447,379 | 170,665 | - | 292,919 | 1,936,531 | 5,608,878 |

The accompanying notes to financial statements 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 | 1,761,384 | 1,447,379 | 146,817 | - | 292,919 | 2,284,772 | 5,933,271 |
| 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 | 1,761,384 | 1,447,379 | 157,296 | - | 292,919 | 2,248,316 | 5,907,294 |

The accompanying notes to financial statements form an integral part of these financial statements

COMPANY CASH FLOW STATEMENT (UNAUDITED)

Period from 1 January to 30 June 2022
RMB'000

| | Period from 1 January to 30 June 2022 (Unaudited) | Period from 1 January to 30 June 2021 (Unaudited) |
|---|--|--|
| I. CASH FLOWS USED IN OPERATING ACTIVITIES: | | |
| Cash received from sales of goods or rendering of services | 17,140,779 | 18,650,448 |
| Other cash receipts related to operating activities | 4,209,321 | 3,213,481 |
| Subtotal of cash inflows from operating activities | 21,350,100 | 21,863,929 |
| Cash paid for goods and services | 17,181,342 | 17,944,245 |
| Cash paid to and for employees | 348,550 | 317,495 |
| Taxes paid | 376,257 | 564,295 |
| Other cash payments related to operating activities | 4,632,921 | 4,547,133 |
| Subtotal of cash outflows from operating activities | 22,539,070 | 23,373,168 |
| Net cash flows used in operating activities | (1,188,970) | (1,509,239) |
| II. CASH FLOWS USED IN INVESTING ACTIVITIES: | | |
| Cash received from return of investment | 7,498 | 11,495 |
| Net cash received from disposal of fixed assets, intangible assets and other long-term assets | 21 | 11,822 |
| Subtotal of cash inflows from investing activities | 7,519 | 23,317 |
| Cash paid for the purchase and construction of fixed assets, intangible assets and other long-term assets | 26,554 | 62,800 |
| Cash paid to acquire investments | 14,905 | 56,696 |
| Subtotal of cash outflows from investing activities | 41,459 | 119,496 |
| Net cash flows used in investing activities | (33,940) | (96,179) |

The accompanying notes to financial statements form an integral part of these financial statements

COMPANY CASH FLOW STATEMENT (UNAUDITED)

Period from 1 January to 30 June 2022
RMB'000

| | Period from 1 January to 30 June 2022 (Unaudited) | Period from 1 January to 30 June 2021 (Unaudited) |
|---|--|--|
| III. CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES: | | |
| Cash received from borrowings | <u>1,114,184</u> | <u>1,631,864</u> |
| Subtotal of cash inflows from financing activities | <u>1,114,184</u> | <u>1,631,864</u> |
| Cash paid for repayments of debts | <u>985,722</u> | 1,731,506 |
| Cash paid for distribution of dividends, profits or interest repayment | <u>103,394</u> | 74,779 |
| Other cash payments related to financing activities | <u>16,418</u> | <u>47,840</u> |
| Subtotal of cash outflows from financing activities | <u>1,105,534</u> | <u>1,854,125</u> |
| Net cash flows from/(used in) financing activities | <u>8,650</u> | <u>(222,261)</u> |
| IV. EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS | <u>2,435</u> | <u>657</u> |
| V. NET DECREASE IN CASH AND CASH EQUIVALENTS | <u>(1,211,825)</u> | <u>(1,827,022)</u> |
| Add: Opening balance of cash and cash equivalents | <u>6,218,987</u> | <u>6,399,993</u> |
| VI. CLOSING BALANCE OF CASH AND CASH EQUIVALENTS | <u>5,007,162</u> | <u>4,572,971</u> |

The accompanying notes to financial statements form an integral part of these financial statements

NOTES TO FINANCIAL STATEMENTS

Period from 1 January to 30 June 2022
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 the CSRC, the Company completed the initial issue of 433,334,000 overseas-listed foreign-invested shares (H shares) to overseas investors. The 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.

The major operating activities of the Company and its subsidiaries (hereinafter referred to as the “Group”) are general contracting of construction works.

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

II. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements were prepared in accordance with the Accounting Standards for Business Enterprises No. 32 - Interim Financial Report by the Ministry of Finance and the disclosure requirements of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange. The financial statements do not include all the information and disclosures required for the annual financial statements and therefore need to be read together with the 2021 annual financial statements.

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

NOTES TO FINANCIAL STATEMENTS

Period from 1 January to 30 June 2022

RMB'000

III. CHANGE OF ACCOUNTING POLICIES AND ESTIMATES

The accounting policies and estimates used in the financial statements are consistent with those used in the 2021 financial statements.

IV. SCOPE OF CONSOLIDATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

1. Information about subsidiaries

Hebei Zhongbao New Building Material Manufacturing Co., Ltd., a subsidiary of the Company, was deregistered in the current period. The scope of the consolidated financial statements was consistent with that of last year except for the subsidiary deregistered.

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

1. Accounts receivable and long-term receivables

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.

An ageing analysis of accounts receivable is as follows:

| | 30 June 2022 (Unaudited) | 31 December 2021 |
|---|---|---------------------|
| Within 1 year | 6,358,728 | 6,740,211 |
| 1 to 2 years | 1,144,863 | 1,005,807 |
| 2 to 3 years | 514,367 | 602,930 |
| Over 3 years | 651,445 | 649,443 |
| | 8,669,403 | 8,998,391 |
| Less: Bad debt allowance on accounts receivable | 1,281,215 | 1,257,944 |
| | 7,388,188 | 7,740,447 |

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.

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**1. Accounts receivable and long-term receivables** (Continued)

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 2022 (Unaudited) | 31 December 2021 |
|---|---|---------------------|
| Long-term concession project receivables | 201,256 | 213,612 |
| Less: Long-term receivables due within one year | 50,606 | 49,386 |
| | 150,650 | 164,226 |

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 2022 (31 December 2021: nil).

2. Long-term equity investments

During the period from 1 January to 30 June 2022, the Group acquired a long-term equity investment in Hebei Zefen Construction and Installation Company Limited at a consideration of RMB735,000 (for the period from 1 January to 30 June 2021: acquisition of a long-term equity investment in Inner Mongolia Construction Investment Group Co., Ltd. at a consideration of RMB4,000,000).

During the period from 1 January to 30 June 2022, the Group disposed of its long-term equity investment in Beijing Rungucheng Investment Management Co., Ltd. with a carrying value of RMB45,000 (for the period from 1 January to 30 June 2021: nil), resulting in an investment gain of RMB341,000 (for the period from 1 January to 30 June 2021: nil).

NOTES TO FINANCIAL STATEMENTS

Period from 1 January to 30 June 2022
RMB'000

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

3. Fixed assets

During the period from 1 January to 30 June 2022, the Group acquired fixed assets with an original cost of RMB9,943,000 (for the period from 1 January to 30 June 2021: RMB558,220,000).

During the period from 1 January to 30 June 2022, the Group disposed of fixed assets with a carrying value of RMB14,850,000 (for the period from 1 January to 30 June 2021: RMB46,840,000) and no gain on disposal of assets was generated (for the period from 1 January to 30 June 2021: RMB1,829,000).

4. 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 2022 (Unaudited) | 31 December 2021 |
|---------------|---|---------------------|
| Within 1 year | 22,509,344 | 23,059,261 |
| 1 to 2 years | 7,961,743 | 12,459,296 |
| 2 to 3 years | 2,090,422 | 1,616,528 |
| Over 3 years | 810,933 | 801,570 |
| | <u>33,372,442</u> | <u>37,936,655</u> |

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

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

5. Operating revenue

| | Period from 1 January to 30 June 2022 (Unaudited) | Period from 1 January to 30 June 2021 (Unaudited) |
|-----------------------------|--|--|
| Revenue from major business | 16,066,045 | 19,590,965 |
| Revenue from other business | 523,180 | 379,442 |
| | 16,589,225 | 19,970,407 |

The operating revenue is as follows:

| | Period from 1 January to 30 June 2022 (Unaudited) | Period from 1 January to 30 June 2021 (Unaudited) |
|---------------------------------------|--|--|
| Revenue from contracts with customers | 16,572,864 | 19,955,411 |
| Rental income | 16,361 | 14,996 |
| | 16,589,225 | 19,970,407 |

NOTES TO FINANCIAL STATEMENTS

Period from 1 January to 30 June 2022
RMB'000

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

5. Operating revenue (Continued)

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

Period from 1 January to 30 June 2022 (Unaudited)

| Reporting segment | Construction | Others | Total |
|---|-------------------|----------------|-------------------|
| Major operating regions | | | |
| China (excluding Hong Kong, Macau and Taiwan) | 15,905,128 | 553,812 | 16,458,940 |
| Other countries and regions | 113,924 | - | 113,924 |
| | <u>16,019,052</u> | <u>553,812</u> | <u>16,572,864</u> |
| Major products | | | |
| Building construction | 11,318,081 | - | 11,318,081 |
| Infrastructure construction | 3,099,100 | 444,035 | 3,543,135 |
| Specialised and other construction | 1,204,829 | - | 1,204,829 |
| Sales of goods and others | 397,042 | 90,522 | 487,564 |
| Sewage and reclaimed water treatment | - | 19,255 | 19,255 |
| | <u>16,019,052</u> | <u>553,812</u> | <u>16,572,864</u> |
| Timing of revenue recognition | | | |
| At a point in time | | | |
| Sales of goods and others | 397,042 | 90,522 | 487,564 |
| Within a period of time | | | |
| Building construction | 11,318,081 | - | 11,318,081 |
| Infrastructure construction | 3,099,100 | 444,035 | 3,543,135 |
| Specialised and other construction | 1,204,829 | - | 1,204,829 |
| Sewage and reclaimed water treatment | - | 19,255 | 19,255 |
| | <u>16,019,052</u> | <u>553,812</u> | <u>16,572,864</u> |

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

5. Operating revenue (Continued)

Period from 1 January to 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 |
| Sales of goods and others | 237,935 | 107,761 | 345,696 |
| Sewage and reclaimed water treatment | - | 18,750 | 18,750 |
| | <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 treatment service | - | 18,750 | 18,750 |
| | <u>19,348,565</u> | <u>606,846</u> | <u>19,955,411</u> |

NOTES TO FINANCIAL STATEMENTS

Period from 1 January to 30 June 2022
RMB'000

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

5. Operating revenue (Continued)

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

Construction services

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

Sale of goods

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

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.

6. Credit impairment losses

| | Period from 1 January to 30 June 2022 (Unaudited) | Period from 1 January to 30 June 2021 (Unaudited) |
|--|--|--|
| Losses from impairment of account receivable | 23,271 | 62,948 |
| Losses from impairment of other receivables | 8,905 | 31,421 |
| Impairment losses on financial guarantee contracts | 2,030 | - |
| | 34,206 | 94,369 |

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

7. Asset impairment losses

| | Period from 1 January to 30 June 2022 (Unaudited) | Period from 1 January to 30 June 2021 (Unaudited) |
|-------------------------------------|--|--|
| Impairment loss for contract assets | 134,562 | 231,694 |

8. Income tax expenses

| | Period from 1 January to 30 June 2022 (Unaudited) | Period from 1 January to 30 June 2021 (Unaudited) |
|-----------------------------|--|--|
| Current income tax expenses | 101,597 | 140,752 |
| Deferred income tax income | (39,971) | (87,753) |
| | 61,626 | 52,999 |

9. Profit distribution

During the period from 1 January to 30 June 2022, the Group did not make any profit distribution.

Pursuant to the resolution at the general meeting on 8 June 2021, the Company 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 as at 31 December 2020. On 16 July 2021, such cash dividend was fully paid.

NOTES TO FINANCIAL STATEMENTS

Period from 1 January to 30 June 2022
RMB'000

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

10. Earnings per share

| | Period from 1 January to 30 June 2022 RMB per share (Unaudited) | Period from 1 January to 30 June 2021 RMB per share (Unaudited) |
|---|--|---|
| Basic earnings per share Continuing operations | 0.09 | 0.13 |

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:

| | Period from 1 January to 30 June 2022 (Unaudited) RMB'000 | Period from 1 January to 30 June 2021 (Unaudited) RMB'000 |
|---|--|---|
| Earnings | | |
| Net profit for the period attributable to ordinary shareholders of the Company Continuing operations | 159,234 | 236,829 |
| 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.

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**11. Assets with restricted ownership**

| | 30 June 2022 (Unaudited) | 31 December 2021 | |
|---|---|---------------------|--------|
| Cash and cash equivalents | 481,551 | 502,735 | Note 1 |
| Accounts receivable | 164,260 | 100,816 | Note 2 |
| Receivables at fair value through other comprehensive income | 16,226 | 105,222 | Note 3 |
| Contract assets | 2,756,192 | 2,575,382 | Note 2 |
| Other current assets | 10,556 | 10,556 | Note 4 |
| Long-term receivables (including long-term receivables due within one year) | 201,256 | 213,612 | Note 2 |
| Investment property | 137,400 | 137,000 | Note 5 |
| Fixed assets | 260,811 | 266,728 | Note 6 |
| Intangible assets | 96,984 | 98,056 | Note 6 |
| | 4,125,236 | 4,010,107 | |

Note 1: As at 30 June 2022, the Group's cash and cash equivalents with restricted ownership included bill deposits of RMB132,566,000, legally freezing of RMB340,921,000 and letters of guarantee of RMB8,064,000; as at 31 December 2021, the Group's cash and cash equivalents with restricted ownership included bill deposits of RMB133,022,000, legally freezing of RMB351,832,000 and letters of guarantee of RMB17,881,000.

NOTES TO FINANCIAL STATEMENTS

Period from 1 January to 30 June 2022
RMB'000

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

11. Assets with restricted ownership (Continued)

Note 2: As at 30 June 2022, the Group obtained a short-term borrowing of RMB236,286,000 jointly secured by accounts receivable with the carrying amount of RMB154,260,000 and contract assets with the carrying amount of RMB281,360,000. As at 30 June 2022, the Group obtained a long-term borrowing of RMB1,835,731,000 and a short-term borrowing of RMB20,033,000 jointly secured by contract assets with the carrying amount of RMB2,474,832,000, accounts receivable with the carrying amount of RMB10,000,000 and long-term receivables with the carrying amount of RMB201,256,000. As at 31 December 2021, the Group obtained a short-term borrowing of RMB197,650,000 jointly secured by accounts receivable with the carrying amount of RMB100,816,000 and contract assets with the carrying amount of RMB328,590,000; and obtained a long-term borrowing of RMB1,478,691,000 jointly secured by contract assets with the carrying amount of RMB2,246,792,000 and long-term receivables with the carrying amount of RMB213,612,000.

Note 3: As at 30 June 2022, the Group obtained a short-term borrowing of RMB16,399,000 secured by receivables at fair value through other comprehensive income with the carrying amount of RMB16,226,000. As at 31 December 2021, the Group obtained a short-term borrowing of RMB105,355,000 secured by receivables at fair value through other comprehensive income with the carrying amount of RMB105,222,000.

Note 4: As at 30 June 2022, the Group's other current assets with restricted ownership represent bill deposits of RMB10,556,000 (31 December 2021: RMB10,556,000).

Note 5: As at 30 June 2022, the Group obtained a short-term bank borrowings of RMB100,101,000 secured by investment property with the carrying amount of RMB137,400,000, and as at 31 December 2021, the Group obtained a short-term bank borrowings of RMB100,143,000 secured by investment property with the carrying amount of RMB137,000,000.

Note 6: As at 30 June 2022, the Group obtained a short-term borrowings of RMB286,162,000 secured by fixed assets with the carrying amount of RMB260,811,000 and intangible assets with the carrying amount of RMB96,984,000. As at 31 December 2021, the Group obtained a short-term borrowings of RMB286,185,000 secured by fixed assets with the carrying amount of RMB266,728,000 and intangible assets with the carrying amount of RMB98,056,000.

VI. 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.

Period from 1 January to 30 June 2022 (Unaudited)

| | Construction contracting | Others | Adjustment and offset | Total |
|---|--------------------------|----------|-----------------------|------------|
| Sales to external customers | 16,019,052 | 570,173 | - | 16,589,225 |
| Intersegment sales | 87,688 | 24,806 | (112,494) | - |
| Gains on investments in joint ventures and associates | 281 | (344) | | (63) |
| Credit impairment losses | (40,923) | 75,129 | - | 34,206 |
| Asset impairment losses | 125,763 | 65,832 | (57,033) | 134,562 |
| Depreciation and amortisation | 25,826 | 11,318 | - | 37,144 |
| Total profit | 287,536 | (69,619) | (2,180) | 215,737 |

NOTES TO FINANCIAL STATEMENTS

Period from 1 January to 30 June 2022
RMB'000

VI. SEGMENT REPORT (Continued)

1. Operating segments (Continued)

Period from 1 January to 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 |

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.

VI. SEGMENT REPORT (Continued)**2. Other information** (Continued)**Geographical information** (Continued)**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.

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

The management has assessed that the fair values of cash and cash equivalents, 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 2022 (Unaudited) | 31 December 2021 | 30 June 2022 (Unaudited) | 31 December 2021 |
| Long-term borrowings | 1,375,471 | 1,113,468 | 1,334,796 | 1,119,362 |

NOTES TO FINANCIAL STATEMENTS

Period from 1 January to 30 June 2022

RMB'000

VII. FAIR VALUE (Continued)

1. Fair value of financial instruments (Continued)

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.

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 2022 and 31 December 2021, the Group's exposure to non-performance risk associated with the long-term borrowings is assessed to be insignificant. As of 30 June 2022 and 31 December 2021, 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. Investments in unlisted equity instruments are estimated at fair value using the market approach based on unobservable market prices or interest rate assumptions. The Group needs to determine comparable public companies based on industry, size, leverage and strategy, and calculates an appropriate market multiple, such as price to earnings ("P/E") multiple and price to net assets ("P/B") multiple, for each comparable public company identified. Adjustments are made based on company-specific facts and circumstances, taking into account factors such as liquidity and size differences between comparable public 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 the potential impact of adopting other reasonable and possible assumptions as input value in the valuation model.

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

| | Valuation technique | Significant unobservable inputs | Range or weighted average | |
|---------|---------------------|--|---------------------------|------------------|
| | | | 30 June 2022 (Unaudited) | 31 December 2021 |
| RT-Mart | Yield approach | Yield rate Annual market rental (<i>per square meter</i>) | 8.42% 128-140 | 8.47% 124-142 |

3. Fair value hierarchy

Assets measured at fair value:

30 June 2022 (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) | |
| Held-for-trading financial assets | 1,898 | - | - | 1,898 |
| Receivables at fair value through other comprehensive income | - | 355,702 | - | 355,702 |
| Other equity instrument investments | 58,588 | - | 708,156 | 766,744 |
| Leased property | - | - | 137,400 | 137,400 |
| | 60,486 | 355,702 | 845,556 | 1,261,744 |

NOTES TO FINANCIAL STATEMENTS

Period from 1 January to 30 June 2022
RMB'000

VII. FAIR VALUE (Continued)

3. Fair value hierarchy (Continued)

31 December 2021

| | Inputs used in fair value measurement | | | Total |
|---|--|--|--|------------------|
| | Quoted prices in active markets (Level 1) | Significant observable inputs (Level 2) | Significant unobservable inputs (Level 3) | |
| Held-for-trading financial assets | 2,472 | - | - | 2,472 |
| Receivables at fair value through other comprehensive income | - | 504,212 | - | 504,212 |
| Other equity instrument investments | 78,385 | - | 701,408 | 779,793 |
| Investment property | - | - | 137,000 | 137,000 |
| | <u>80,857</u> | <u>504,212</u> | <u>838,408</u> | <u>1,423,477</u> |

The fair value of receivables at fair value through other comprehensive income 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.

VII. 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 2022: 611,000 31 December 2021: 609,000 | Listed companies comparison method | P/B multiple Median of peers Discount for liquidity | 30 June 2022: 0.7-1.1 31 December 2021: 0.8-1.0 30 June 2022: 30% 31 December 2021: 30% |
| Baoding Taihang Heyi Environmental Technology Co., Ltd. | 30 June 2022: 88,000 31 December 2021: 83,250 | Listed companies comparison method | P/E multiple Median of peers Discount for liquidity | 30 June 2022: 0.9-1.8 31 December 2021: 1.1-1.9 30 June 2022: 30% 31 December 2021: 30% |
| Qinhuangdao Smooth Road Construction Co., Ltd. | 30 June 2022: 9,000 31 December 2021: 9,000 | Listed companies comparison method | P/B multiple Median of peers Discount for liquidity | 30 June 2022: 0.9-1.8 31 December 2021: 0.9-2.3 30 June 2022: 30% 31 December 2021: 30% |

NOTES TO FINANCIAL STATEMENTS

Period from 1 January to 30 June 2022
RMB'000

VII. 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: (Continued)

| | Fair value at the end of the period/year | Valuation technique | Unobservable inputs | Scope (Weighted average) |
|---|--|---------------------------------------|--|--|
| Xihua County Jijiantongda Construction Co., Ltd. | 30 June 2022: 156 | Listed companies comparison method | P/B multiple Median of peers | 30 June 2022: 1.4-2.5 |
| | 31 December 2021: 158 | | | 31 December 2021: 1.6-4.1 |
| | | | Discount for liquidity | 30 June 2022: 30% 31 December 2021: 30% |
| Investment property | | | | |
| RT-Mart | 30 June 2022: 137,400 | Discounted cash flow method | Yield rate | 30 June 2022: 8.42% |
| | 31 December 2021: 137,000 | | | 31 December 2021: 8.47% |
| | | | Annual market rental (per square metre) | 30 June 2022: 128-140 31 December 2021: 124-142 |

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.

VII. FAIR VALUE (Continued)**3. Fair value hierarchy** (Continued)***Liabilities disclosed at fair value*****30 June 2022 (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 | - | 1,334,796 | - | 1,334,796 |

31 December 2021

| | 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 | - | 1,119,362 | - | 1,119,362 |

NOTES TO FINANCIAL STATEMENTS

Period from 1 January to 30 June 2022

RMB'000

VIII. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

1. Related party relationships

Related parties involved in transactions:

| Name of related party | Related party relationships | <i>Note</i> |
|---|--|-------------|
| Zhongru Investment Co., Ltd. | Parent company | |
| Qianbao Investment Co., Ltd. | Parent company | |
| Jianwei County Yizongliangheng Project Management Company Limited ("Yizongliangheng") | Associate | |
| Bozhou Xiangju Construction Company Limited ("Bozhou Xiangju") | Associate | |
| Zhongyuan Environmental (Neihuang) Liangli Ecological Construction Project Management Company Limited ("Zhongyuan Environmental") | Associate | |
| Qinhuangdao Yuanyi Road Construction Management Co., Ltd. | Joint venture | |
| Bazhou Hengzhiheng Gardening and Greenery Engineering 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 | |

VIII. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(Continued)

1. Related party relationships (Continued)

Related parties involved in transactions: (Continued)

| Name of related party | Related party relationships | <i>Note</i> |
|--|---|---------------|
| 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 | |
| Huailai Zhongcheng Real Estate Development Co., Ltd. | Other enterprises under common control by the parent company | |
| Hebei Construction Group Qianqiu Management Co., Ltd. | Other enterprises under common control by the parent company | |
| Hebei Qianyuan Red Agricultural Group 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 Zhongcheng Property Management Co., Ltd. | Other enterprises under common control by the parent company | <i>Note 1</i> |
| 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 | |

NOTES TO FINANCIAL STATEMENTS

Period from 1 January to 30 June 2022

RMB'000

VIII. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(Continued)

1. Related party relationships (Continued)

Related parties involved in transactions: (Continued)

| Name of related party | Related party relationships | <i>Note</i> |
|---|--|-------------|
| 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 | |
| Fuping County Ruifu Building Material Co., Ltd. | Subsidiary of other enterprises under common control by the parent company | |
| Hebei Sunshine Kangcheng Elderly Services Co., Ltd. | Subsidiary of other enterprises under common control by the parent company | |
| Hebei Keshengxing Start-up Incubator Co., Ltd. | Subsidiary of other enterprises under common control by the parent company | |
| Huailai Shengcheng Real Estate Development Co., Ltd. | Subsidiary of other enterprises under common control by the parent company | |
| Qinhuangdao Dadi Zhuoyue Geotechnical Engineering Co., Ltd. | Subsidiary of other enterprises under common control by the parent company | |
| Yi County Shengji 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 | |

Note 1: Hebei Guangsha Property Management Co., Ltd. was renamed as Hebei Zhongcheng Property Management Co., Ltd. during the period.

VIII. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(Continued)

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

| | Note | Period from 1 January to 30 June 2022 (Unaudited) | Period from 1 January to 30 June 2021 (Unaudited) |
|---|------|--|--|
| Xi'an Zhongyuan Real Estate Development Co., Ltd. | (1)a | 87,500 | 77,789 |
| Qinhuangdao Yuanyi Road Construction Management Co., Ltd. | (1)b | 74,212 | 61,980 |
| Sanhe Jinshibang Real Estate Development Co., Ltd. | (1)c | 49,876 | 34,193 |
| Huilai Zhongcheng Real Estate Development Co., Ltd. | (1)d | 25,371 | - |
| Zhongyuan Environmental | (1)e | 22,573 | 25,575 |
| Huilai Jingsheng Real Estate Development Co., Ltd. | (1)f | 20,033 | 33,945 |
| Baoding Taiji Real Estate Development Co., Ltd. | (1)g | 8,434 | 28,591 |
| Baoding Zhucheng Real Estate Development Co., Ltd. | (1)h | 7,058 | 37,207 |
| Chengde Summer Resort Cultural Industrial Park Co., Ltd. | (1)i | 4,116 | 38,970 |
| Huilai Shengcheng Real Estate Development Co., Ltd. | (1)j | 3,230 | - |
| Guangan Zhongcheng Real Estate Development Co., Ltd. | (1)k | 1,664 | 277 |
| Datang Baoding Heat Supply Co., Ltd. | (1)l | 16 | 1,693 |
| Hebei Zitan Real Estate Development Co., Ltd. | (1)m | - | 45,839 |
| Zhongcheng Real Estate Development Co., Ltd. | (1)n | - | 18,221 |
| Hebei Qianyuan Red Agricultural Group Co., Ltd. | (1)o | - | 641 |
| Hebei Baocang Expressway Co., Ltd. | (1)p | - | 201 |
| Yizongliangheng | (1)q | - | 81 |
| | | 304,083 | 405,203 |

NOTES TO FINANCIAL STATEMENTS

Period from 1 January to 30 June 2022
RMB'000

VIII. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(Continued)

2. 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

| | Note | Period from 1 January to 30 June 2022 (Unaudited) | Period from 1 January to 30 June 2021 (Unaudited) |
|--|------|--|--|
| Baoding Tianli Labor Service Co., Ltd. | (1)r | 1,322,986 | 1,871,620 |
| Qinhuangdao Dadi Zhuoyue Geotechnical Engineering Co., Ltd. | (1)s | 5,855 | - |
| Hebei Zhongcheng Property Management Co., Ltd. | (1)t | 4,146 | - |
| Hebei Tianbo Construction Technology Co., Ltd. | (1)u | 1,856 | 992 |
| Fuping County Ruifu Building Material Co., Ltd. | (1)v | 872 | - |
| Hebei Baoyu Surveying Service Co., Ltd. | (1)w | 94 | - |
| | | 1,335,809 | 1,872,612 |

VIII. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(Continued)

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

| | Note | Type of leased asset | Period from 1 January to 30 June 2022 (Unaudited) Leasing fees | Period from 1 January to 30 June 2021 (Unaudited) Leasing fees |
|---------------------------|------|----------------------|--|--|
| Zhongming Zhiye Co., Ltd. | (2)a | Office building | 2,776 | 3,286 |

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.

(3) Guarantees to/from related parties**Providing guarantees to related parties****Period from 1 January to 30 June 2022 (Unaudited)**

| 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 | 583,000 |

NOTES TO FINANCIAL STATEMENTS

Period from 1 January to 30 June 2022
RMB'000

VIII. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(Continued)

2. Major transactions with related parties (Continued)

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

Receiving guarantees from related parties

Period from 1 January to 30 June 2022 (Unaudited)

| Guarantor | Notes | Amount of guarantees | Inception date of guarantee | Expiration date of guarantee | Whether guarantee has been performed | The actual guaranteed amount |
|--|-------|----------------------|-----------------------------|------------------------------|--------------------------------------|------------------------------|
| Zhongming Zhiye Co., Ltd. | (3)b | 108,000 | 2018/10/26 | 2022/10/25 | No | - |
| 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 | Yes | - |
| Zhongru Investment Co., Ltd. | (3)f | 70,000 | 2020/8/18 | 2024/2/10 | No | - |
| Zhongming Zhiye Co., Ltd. | (3)g | 160,000 | 2020/11/17 | 2025/11/16 | No | 160,000 |
| Zhongming Zhiye Co., Ltd. | (3)h | 25,000 | 2020/12/22 | 2023/12/21 | No | - |
| Zhongming Zhiye Co., Ltd. | (3)i | 140,000 | 2020/12/28 | 2025/12/27 | No | 140,000 |
| Zhongming Zhiye Co., Ltd. | (3)j | 200,000 | 2020/12/31 | 2024/12/30 | No | - |
| Zhongming Zhiye Co., Ltd. | (3)k | 30,000 | 2021/2/1 | 2022/1/27 | Yes | - |
| Zhongru Investment Co., Ltd. | (3)l | 70,000 | 2021/7/29 | 2022/2/10 | Yes | - |
| Zhongcheng Real Estate Development Co., Ltd. | (3)m | 35,000 | 2021/8/26 | 2022/8/26 | No | - |

VIII. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(Continued)

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

| 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)n | 100,000 | 2021/11/25 | 2026/11/25 | No | 99,000 |
| Zhongming Zhiye Co., Ltd. | (3)o | 25,000 | 2021/12/8 | 2025/12/9 | No | 25,000 |
| Zhongming Zhiye Co., Ltd. | (3)p | 200,000 | 2021/12/31 | 2025/12/30 | No | 200,000 |
| Zhongru Investment Co., Ltd. | (3)q | 70,000 | 2022/2/17 | 2023/2/16 | No | 70,000 |
| Zhongcheng Real Estate Development Co., Ltd. | (3)r | 290,000 | 2022/3/18 | 2023/3/18 | No | 290,000 |
| Zhongcheng Real Estate Development Co., Ltd. | (3)s | 120,000 | 2022/6/7 | 2024/6/6 | No | 120,000 |
| Zhongcheng Real Estate Development Co., Ltd. | (3)t | 100,000 | 2022/6/12 | 2024/6/11 | No | 100,000 |
| Zhongcheng Real Estate Development Co., Ltd. | (3)u | 30,000 | 2022/6/12 | 2024/6/11 | No | 30,000 |

Providing guarantees to related parties

2021

| 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 | 583,000 |

NOTES TO FINANCIAL STATEMENTS

Period from 1 January to 30 June 2022

RMB'000

VIII. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(Continued)

2. Major transactions with related parties (Continued)

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

Receiving guarantees from related parties

2021

| 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 | - |
| 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 | 120,000 |
| Zhongru Investment Co., Ltd. | (3)f | 70,000 | 2020/8/18 | 2024/2/10 | No | - |
| Zhongming Zhiye Co., Ltd. | (3)g | 160,000 | 2020/11/17 | 2025/11/16 | No | 160,000 |
| Zhongming Zhiye Co., Ltd. | (3)h | 25,000 | 2020/12/22 | 2023/12/21 | No | - |
| Zhongming Zhiye Co., Ltd. | (3)i | 140,000 | 2020/12/28 | 2025/12/27 | No | 140,000 |
| Zhongming Zhiye Co., Ltd. | (3)j | 200,000 | 2020/12/31 | 2024/12/30 | No | - |
| Zhongming Zhiye Co., Ltd. | (3)k | 30,000 | 2021/2/1 | 2022/1/27 | No | 14,000 |
| Zhongru Investment Co., Ltd. | (3)l | 70,000 | 2021/7/29 | 2022/2/10 | No | 70,000 |
| Zhongcheng Real Estate Development Co., Ltd. | (3)m | 35,000 | 2021/8/26 | 2022/8/26 | No | 35,000 |

VIII. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(Continued)

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

| 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)n | 100,000 | 2021/11/25 | 2026/11/25 | No | 100,000 |
| Zhongming Zhiye Co., Ltd. | (3)o | 25,000 | 2021/12/8 | 2025/12/9 | No | 25,000 |
| Zhongming Zhiye Co., Ltd. | (3)p | 200,000 | 2021/12/31 | 2025/12/30 | No | 200,000 |
| Chengdu New Era Tiancheng Properties Co., Ltd. | (3)v | 399,847 | 2019/3/26 | 2021/4/1 | Yes | - |
| Chengde Summer Resort Cultural Industrial Park Co., Ltd. | (3)v | 399,847 | 2019/3/26 | 2021/4/1 | Yes | - |
| Baoding Taiji Real Estate Development Co., Ltd. | (3)v | 399,847 | 2019/3/26 | 2021/4/1 | Yes | - |
| Zhongcheng Real Estate Development Co., Ltd. | (3)v | 399,847 | 2019/3/26 | 2021/4/1 | Yes | - |
| Zhongcheng Real Estate Development Co., Ltd. | (3)v | 399,847 | 2019/5/8 | 2021/4/1 | Yes | - |
| Zhongming Zhiye Co., Ltd. | (3)w | 100,000 | 2020/11/25 | 2021/11/24 | Yes | - |

NOTES TO FINANCIAL STATEMENTS

Period from 1 January to 30 June 2022
RMB'000

VIII. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(Continued)

2. Major transactions with related parties (Continued)

(4) Other related party transactions

| | Note | Period from 1 January to 30 June 2022 (Unaudited) | Period from 1 January to 30 June 2021 (Unaudited) |
|---------------------------------------|------|--|--|
| Emolument of key management personnel | (4)a | 2,191 | 5,191 |

Notes:

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

- (a) During the period from 1 January to 30 June 2022, the Group provided construction services to Xi'an Zhongyuan Real Estate Development Co., Ltd. at the market price of RMB87,500,000 (for the period from 1 January to 30 June 2021: RMB77,789,000).
- (b) During the period from 1 January to 30 June 2022, the Group provided construction services to Qinhuangdao Yuanyi Road Construction Management Co., Ltd. at the market price of RMB74,212,000 (for the period from 1 January to 30 June 2021: RMB61,980,000).
- (c) During the period from 1 January to 30 June 2022, the Group provided construction services to Sanhe Jinshibang Real Estate Development Co., Ltd. at the market price of RMB49,876,000 (for the period from 1 January to 30 June 2021: RMB34,193,000).
- (d) During the period from 1 January to 30 June 2022, the Group provided construction services to Huailai Zhongcheng Real Estate Development Co., Ltd. at the market price of RMB25,371,000 (for the period from 1 January to 30 June 2021: Nil).
- (e) During the period from 1 January to 30 June 2022, the Group provided construction services to Zhongyuan Environmental at the market price of RMB22,573,000 (for the period from 1 January to 30 June 2021: RMB25,575,000).

VIII. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(Continued)

2. Major transactions with related parties (Continued)

(4) Other related party transactions (Continued)

Notes: (Continued)

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

- (f) During the period from 1 January to 30 June 2022, the Group provided construction services to Huailai Jingsheng Real Estate Development Co., Ltd. at the market price of RMB20,033,000 (for the period from 1 January to 30 June 2021: RMB33,945,000).
- (g) During the period from 1 January to 30 June 2022, the Group provided construction services to Baoding Taiji Real Estate Development Co., Ltd. at the market price of RMB8,434,000 (for the period from 1 January to 30 June 2021: RMB28,591,000).
- (h) During the period from 1 January to 30 June 2022, the Group provided construction services to Baoding Zhucheng Real Estate Development Co., Ltd. at the market price of RMB7,058,000 (for the period from 1 January to 30 June 2021: RMB37,207,000).
- (i) During the period from 1 January to 30 June 2022, the Group provided construction services to Chengde Summer Resort Cultural Industrial Park Co., Ltd. at the market price of RMB4,116,000 (for the period from 1 January to 30 June 2021: RMB38,970,000).
- (j) During the period from 1 January to 30 June 2022, the Group provided construction services to Huailai Shengcheng Real Estate Development Co., Ltd. at the market price of RMB3,230,000 (for the period from 1 January to 30 June 2021: Nil).
- (k) During the period from 1 January to 30 June 2022, the Group provided construction services to Guangan Zhongcheng Real Estate Development Co., Ltd. at the market price of RMB1,664,000 (for the period from 1 January to 30 June 2021: RMB277,000).
- (l) During the period from 1 January to 30 June 2022, the Group provided construction services to Datang Baoding Heat Supply Co., Ltd. at the market price of RMB16,000 (for the period from 1 January to 30 June 2021: RMB1,693,000).
- (m) During the period from 1 January to 30 June 2022, the Group did not provide any construction services to Hebei Zitan Real Estate Development Co., Ltd. (for the period from 1 January to 30 June 2021: RMB45,839,000).

NOTES TO FINANCIAL STATEMENTS

Period from 1 January to 30 June 2022

RMB'000

VIII. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(Continued)

2. Major transactions with related parties (Continued)

(4) Other related party transactions (Continued)

Notes: (Continued)

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

(Continued)

- (n) During the period from 1 January to 30 June 2022, the Group did not provide any construction services to Zhongcheng Real Estate Development Co., Ltd. (for the period from 1 January to 30 June 2021: RMB18,221,000).
- (o) During the period from 1 January to 30 June 2022, the Group did not provide any construction services to Hebei Qianyuan Red Agricultural Group Co., Ltd. (for the period from 1 January to 30 June 2021: RMB641,000).
- (p) During the period from 1 January to 30 June 2022, the Group did not provide any construction services to Hebei Baocang Expressway Co., Ltd. (for the period from 1 January to 30 June 2021: RMB201,000).
- (q) During the period from 1 January to 30 June 2022, the Group did not provide any construction services to Yizongliangheng (for the period from 1 January to 30 June 2021: RMB81,000).
- (r) During the period from 1 January to 30 June 2022, the Group received labour services from Baoding Tianli Labor Service Co., Ltd. at the market price of RMB1,322,986,000 (for the period from 1 January to 30 June 2021: RMB1,871,620,000).
- (s) During the period from 1 January to 30 June 2022, the Group received engineering surveying services from Qinhuangdao Dadi Zhuoyue Geotechnical Engineering Co., Ltd. at the market price of RMB5,855,000 (for the period from 1 January to 30 June 2021: Nil).
- (t) During the period from 1 January to 30 June 2022, the Group received property management services from Hebei Zhongcheng Property Management Co., Ltd. at the market price of RMB4,146,000 (for the period from 1 January to 30 June 2021: Nil).
- (u) During the period from 1 January to 30 June 2022, the Group received testing services from Hebei Tianbo Construction Technology Co., Ltd. at the market price of RMB1,856,000 (for the period from 1 January to 30 June 2021: RMB992,000).
- (v) During the period from 1 January to 30 June 2022, the Group purchased construction material from Fuping County Ruifu Building Material Co., Ltd. at the market price of RMB872,000 (for the period from 1 January to 30 June 2021: Nil).
- (w) During the period from 1 January to 30 June 2022, the Group received testing services from Hebei Baoyu Surveying Service Co., Ltd. at the market price of RMB94,000 (for the period from 1 January to 30 June 2021: Nil).

VIII. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(Continued)

2. Major transactions with related parties (Continued)

(4) Other related party transactions (Continued)

Notes: (Continued)

(2) RELATED PARTY LEASES

- (a) During the period from 1 January to 30 June 2022, the Group leased an office building from Zhongming Zhiye Co., Ltd. and incurred leasing fees of RMB2,776,000 (for the period from 1 January to 30 June 2021: RMB3,286,000) under the lease contract.

(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 2022 was RMB583,000,000 (2021: amount of guarantee: RMB600,000,000, actual guaranteed amount: RMB583,000,000).
- (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, and as of 30 June 2022, the Group has repaid the borrowings but the guarantee has not been fully performed (2021: amount of guarantee: RMB108,000,000, actual guaranteed amount: Nil).
- (c) From 1 April 2019 to 1 April 2024, Zhongming Zhiye provided a credit guarantees for the debt of RMB399,847,000 of the Group, and as of 30 June 2022, the Group has repaid the borrowings but the guarantee has not been fully performed (2021: amount of guarantee: RMB399,847,000, actual guaranteed amount: Nil).
- (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, and as of 30 June 2022, the Group has repaid the borrowings but the guarantee has not been fully performed (2021: 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 as of 30 June 2022, the guarantee has been fully performed (2021: amount of guarantee: RMB150,000,000, actual guaranteed amount: RMB120,000,000).

NOTES TO FINANCIAL STATEMENTS

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RMB'000

VIII. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(Continued)

2. Major transactions with related parties (Continued)

(4) Other related party transactions (Continued)

Notes: (Continued)

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

- (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 as of 30 June 2022, the Group has repaid the borrowings but the guarantee has not been fully performed (2021: amount of guarantee: RMB70,000,000, actual guaranteed amount: Nil).
- (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 2022 was RMB160,000,000 (2021: amount of guarantee: RMB160,000,000, actual guaranteed amount: RMB160,000,000).
- (h) 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 as of 30 June 2022, the Group has repaid the borrowings but the guarantee has not been fully performed (2021: amount of guarantee: RMB25,000,000, actual guaranteed amount: Nil).
- (i) 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 2022 was RMB140,000,000 (2021: amount of guarantee: RMB140,000,000, actual guaranteed amount: RMB140,000,000).
- (j) 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 as of 30 June 2022, the Group has repaid the borrowings but the guarantee has not been fully performed (2021: amount of guarantee: RMB200,000,000, actual guaranteed amount: Nil).
- (k) Zhongming Zhiye Co., Ltd. provided a guarantee with an amount of RMB30,000,000 for the Group at nil consideration from 1 February 2021 to 27 January 2022, and as of 30 June 2022, the guarantee has been fully performed (2021: amount of guarantee: RMB30,000,000, actual guaranteed amount: RMB14,000,000).

VIII. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(Continued)

2. Major transactions with related parties (Continued)

(4) Other related party transactions (Continued)

Notes: (Continued)

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

- (l) Zhongru Investment Co., Ltd. provided a guarantee with an amount of RMB70,000,000 for the Group at nil consideration from 29 July 2021 to 10 February 2022, and as of 30 June 2022, the guarantee has been fully performed (2021: amount of guarantee: RMB70,000,000, actual guaranteed amount: RMB70,000,000).
- (m) Zhongcheng Real Estate Development Co., Ltd. provided a guarantee with an amount of RMB35,000,000 for the Group at nil consideration from 26 August 2021 to 26 August 2022, and as of 30 June 2022, the Group has repaid the borrowings but the guarantee has not been fully performed (2021: amount of guarantee: RMB35,000,000, actual guaranteed amount: RMB35,000,000).
- (n) Zhongming Zhiye Co., Ltd. provided a guarantee with an amount of RMB100,000,000 for the Group at nil consideration from 25 November 2021 to 25 November 2026, and the actual guaranteed amount as of 30 June 2022 was RMB99,000,000 (2021: amount of guarantee: RMB100,000,000, actual guaranteed amount: RMB100,000,000).
- (o) Zhongming Zhiye Co., Ltd. provided a guarantee with an amount of RMB25,000,000 for the Group at nil consideration from 8 December 2021 to 9 December 2025, and the actual guaranteed amount as of 30 June 2022 was RMB25,000,000 (2021: amount of guarantee: RMB25,000,000, actual guaranteed amount: RMB25,000,000).
- (p) Zhongming Zhiye Co., Ltd. provided a guarantee with an amount of RMB200,000,000 for the Group at nil consideration from 31 December 2021 to 30 December 2025, and the actual guaranteed amount as of 30 June 2022 was RMB200,000,000 (2021: amount of guarantee: RMB200,000,000, actual guaranteed amount: RMB200,000,000).
- (q) Zhongru Investment Co., Ltd. provided a guarantee with an amount of RMB70,000,000 for the Group at nil consideration from 17 February 2022 to 16 February 2023, and the actual guaranteed amount as of 30 June 2022 was RMB70,000,000 (2021: Nil).

NOTES TO FINANCIAL STATEMENTS

Period from 1 January to 30 June 2022

RMB'000

VIII. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(Continued)

2. Major transactions with related parties (Continued)

(4) Other related party transactions (Continued)

Notes: (Continued)

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

- (r) Zhongcheng Real Estate Development Co., Ltd. provided a guarantee with an amount of RMB290,000,000 for the Group at nil consideration from 18 March 2022 to 18 March 2023, and the actual guaranteed amount as of 30 June 2022 was RMB290,000,000 (2021: Nil).
- (s) Zhongcheng Real Estate Development Co., Ltd. provided a guarantee with an amount of RMB120,000,000 for the Group at nil consideration from 7 June 2022 to 6 June 2024, and the actual guaranteed amount as of 30 June 2022 was RMB120,000,000 (2021: Nil).
- (t) Zhongcheng Real Estate Development Co., Ltd. provided a guarantee with an amount of RMB100,000,000 for the Group at nil consideration from 12 June 2022 to 11 June 2024, and the actual guaranteed amount as of 30 June 2022 was RMB100,000,000 (2021: Nil).
- (u) Zhongcheng Real Estate Development Co., Ltd. provided a guarantee with an amount of RMB30,000,000 for the Group at nil consideration from 12 June 2022 to 11 June 2024, and the actual guaranteed amount as of 30 June 2022 was RMB30,000,000 (2021: Nil).
- (v) 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. Together, the above companies provided guarantees for the debt of RMB399,847,000 of the Group, and the guarantees have been fully performed as of 31 December 2021.
- (w) 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 guarantee has been fully performed as of 31 December 2021.

(4) OTHER MAJOR RELATED TRANSACTIONS

- (a) During the period from 1 January to 30 June 2022, the total emolument of key management personnel incurred by the Group amounted to RMB2,191,000 (for the period from 1 January to 30 June 2021: RMB5,191,000).

VIII. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(Continued)

3. Balances of amounts due from related parties**(1) Accounts receivable**

| | 30 June 2022 (Unaudited) | | 31 December 2021 | |
|---|-----------------------------|-----------------------|------------------|-----------------------|
| | Book balance | Bad debt allowance | Book balance | Bad debt allowance |
| Baoding Zhucheng Real Estate Development Co., Ltd. | 51,869 | 1,524 | 54,135 | 814 |
| Huailai Jingsheng Real Estate Development Co., Ltd. | 15,820 | 460 | 8,097 | 73 |
| Xi'an Zhongyuan Real Estate Development Co., Ltd. | 12,655 | 475 | 3,685 | 33 |
| Chengde Summer Resort Cultural Industrial Park Co., Ltd. | 10,328 | 96 | 16,780 | 151 |
| Chengdu New Era Tiancheng Properties Co., Ltd. | 9,557 | 89 | 424 | 76 |
| Zhongcheng Real Estate Development Co., Ltd. | 917 | 17 | 3,083 | 39 |
| Baoding Taiji Real Estate Development Co., Ltd. | 367 | 4 | 3 | 1 |
| Hebei Zitan Real Estate Development Co., Ltd. | 196 | 2 | 12,023 | 108 |
| Qinhuangdao Yuanyi Road Construction Management Co., Ltd. | 152 | 1 | - | - |
| Hebei Baocang Expressway Co., Ltd. | 15 | 1 | - | - |
| Zhongyuan Environmental | - | - | 10,652 | 96 |
| Huailai Shengcheng Real Estate Development Co., Ltd. | - | - | 2,319 | 21 |
| Bozhou Xiangju | - | - | 1,200 | 11 |
| Hebei Qianyuan Red Agricultural Group Co., Ltd. | - | - | 100 | 1 |
| | 101,876 | 2,669 | 112,501 | 1,424 |

NOTES TO FINANCIAL STATEMENTS

Period from 1 January to 30 June 2022
RMB'000

VIII. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(Continued)

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

(2) Contract assets

| | 30 June 2022 (Unaudited) | | 31 December 2021 | |
|---|-----------------------------|-----------------------|------------------|-----------------------|
| | Book balance | Bad debt allowance | Book balance | Bad debt allowance |
| Qinhuangdao Yuanyi Road Construction Management Co., Ltd. | 199,449 | 1,856 | 164,383 | 1,475 |
| Guangan Zhongcheng Real Estate Development Co., Ltd. | 124,660 | 1,160 | 124,261 | 1,115 |
| Sanhe Jinshibang Real Estate Development Co., Ltd. | 109,894 | 1,023 | 55,529 | 498 |
| Xi'an Zhongyuan Real Estate Development Co., Ltd. | 108,856 | 1,013 | 63,552 | 570 |
| Chengde Summer Resort Cultural Industrial Park Co., Ltd. | 96,949 | 902 | 96,097 | 2,544 |
| Huilai Jingsheng Real Estate Development Co., Ltd. | 36,425 | 339 | 43,618 | 391 |
| Hebei Zitan Real Estate Development Co., Ltd. | 33,804 | 315 | 34,978 | 314 |
| Baoding Taiji Real Estate Development Co., Ltd. | 31,741 | 295 | 27,078 | 243 |
| Huilai Shengcheng Real Estate Development Co., Ltd. | 27,644 | 258 | 40,527 | 364 |
| Zhongcheng Real Estate Development Co., Ltd. | 26,264 | 244 | 45,439 | 698 |

VIII. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(Continued)

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

| | 30 June 2022 (Unaudited) | | 31 December 2021 | |
|--|-----------------------------|-----------------------|------------------|-----------------------|
| | Book balance | Bad debt allowance | Book balance | Bad debt allowance |
| Baoding Zhucheng Real Estate Development Co., Ltd. | 20,616 | 192 | 22,017 | 198 |
| Huailai Zhongcheng Real Estate Development Co., Ltd. | 17,329 | 161 | 11,196 | 100 |
| Sanhe Baolan Heat Co., Ltd. | 2,030 | 18 | 2,030 | 18 |
| Datang Baoding Heat Supply Co., Ltd. | 1,375 | 12 | 1,375 | 12 |
| Hebei Baocang Expressway Co., Ltd. | 207 | 2 | 222 | 2 |
| Yizongliangheng | - | - | 134,943 | 1,211 |
| Zhongyuan Environmental | - | - | 27,484 | 247 |
| Bozhou Xiangju | - | - | 5,711 | 51 |
| Hebei Qianyuan Red Agricultural Group Co., Ltd. | - | - | 7,432 | - |
| Laiyuan Zhongcheng Construction Development Co., Ltd. | - | - | 100 | 1 |
| Chengdu New Era Tiancheng Properties Co., Ltd. | - | - | 9,133 | 82 |
| | 837,243 | 7,790 | 917,105 | 10,134 |

NOTES TO FINANCIAL STATEMENTS

Period from 1 January to 30 June 2022

RMB'000

VIII. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(Continued)

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

(3) Other receivables

| | 30 June 2022 (Unaudited) | | 31 December 2021 | |
|---|-----------------------------|-----------------------|------------------|-----------------------|
| | Book balance | Bad debt allowance | Book balance | Bad debt allowance |
| Huilai Zhongcheng Real Estate Development Co., Ltd. | 56,439 | 2,619 | 35,852 | 1,841 |
| Baoding Taiji Real Estate Development Co., Ltd. | 18,864 | 269 | 21,580 | 215 |
| Zhongcheng Real Estate Development Co., Ltd. | 7,415 | 86 | 27,031 | 297 |
| Chengde Summer Resort Cultural Industrial Park Co., Ltd. | 4,119 | 173 | 4,632 | 198 |
| Hebei Sunshine Kangcheng Elderly Services Co., Ltd. | 2,588 | - | 3,629 | - |
| Hebei Keshengxing Start-up Incubator Co., Ltd. | 612 | 6 | 612 | 6 |
| Xi'an Zhongyuan Real Estate Development Co., Ltd. | 50 | 3 | 50 | 3 |
| Yi County Shengji Real Estate Development Co., Ltd. | 50 | - | 50 | - |
| Huilai Jingsheng Real Estate Development Co., Ltd. | 49 | 2 | 14,962 | 149 |
| Bazhou Hengzhiheng Gardening and Greenery Engineering Co., Ltd. | 43 | 1 | 66 | 1 |
| Hebei Zhongcheng Property Management Co., Ltd. | 6 | - | 9 | - |
| Laiyuan Zhongcheng Construction Development Co., Ltd. | - | - | 3,579 | 36 |
| Huilai Shengcheng Real Estate Development Co., Ltd. | - | - | 95 | 1 |
| Baoding Zhucheng Real Estate Development Co., Ltd. | - | - | 63 | 3 |
| Qianbao Investment Co., Ltd. | - | - | 5 | - |
| Sanhe Jinshibang Real Estate Development Co., Ltd. | - | - | 2 | - |
| | 90,235 | 3,159 | 112,217 | 2,750 |

VIII. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(Continued)

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

| | 30 June 2022 (Unaudited) | 31 December 2021 |
|---|---|---------------------|
| Baoding Tianli Labor Service Co., Ltd. | 1,902,951 | 1,397,840 |
| Qinhuangdao Dadi Zhuoyue Geotechnical Engineering Co., Ltd. | 4,233 | 6,500 |
| Hebei Tianbo Construction Technology Co., Ltd. | 3,661 | 2,654 |
| Fuping County Ruifu Building Material Co., Ltd. | 2,346 | 2,306 |
| Hebei Baoyu Surveying Service Co., Ltd. | 237 | 142 |
| Hebei Construction Group Qianqiu Management Co., Ltd. | - | 350 |
| | 1,913,428 | 1,409,792 |

(5) Other payables

| | 30 June 2022 (Unaudited) | 31 December 2021 |
|---|---|---------------------|
| Baoding Zhucheng Real Estate Development Co., Ltd. | 60,901 | 61,038 |
| Key management personnel | 13,585 | 15,674 |
| Zhongming Zhiye Co., Ltd. | 2,619 | 2,082 |
| Hebei Qianyuan Red Agricultural Group Co., Ltd. | 500 | 10,500 |
| Hebei Zhongcheng Property Management Co., Ltd. | 78 | 100 |
| Qianbao Investment Co., Ltd. | - | 8,600 |
| Hebei Construction Group Qianqiu Management Co., Ltd. | - | 1,863 |
| | 77,683 | 99,857 |

NOTES TO FINANCIAL STATEMENTS

Period from 1 January to 30 June 2022
RMB'000

VIII. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(Continued)

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

(6) Contract liabilities

| | 30 June 2022 (Unaudited) | 31 December 2021 |
|---|---|---------------------|
| Baoding Zhucheng Real Estate Development Co., Ltd. | 19,770 | 17,069 |
| Huailai Jingsheng Real Estate Development Co., Ltd. | 13,206 | - |
| Zhongcheng Real Estate Development Co., Ltd. | 9,296 | 8,620 |
| Huailai Shengcheng Real Estate Development Co., Ltd. | 3,488 | 3,590 |
| Chengde Summer Resort Cultural Industrial Park Co., Ltd. | 3,099 | 4,605 |
| Datang Baoding Heat Supply Co., Ltd. | 1,781 | 1,797 |
| Laiyuan Zhongcheng Construction Development Co., Ltd. | 200 | - |
| Xi'an Zhongyuan Real Estate Development Co., Ltd. | 92 | 9,026 |
| Qinhuangdao Yuanyi Road Construction Management Co., Ltd. | - | 2,619 |
| | 50,932 | 47,326 |

NOTES TO FINANCIAL STATEMENTS

Period from 1 January to 30 June 2022
RMB'000

IX. CONTINGENCIES

| | 30 June 2022 (Unaudited) | 31 December 2021 | <i>Notes</i> |
|--|---|---------------------|---------------|
| Contingent liabilities arising from providing external guarantees | 529,745 | 740,778 | <i>Note 1</i> |
| Contingent liabilities arising from unresolved litigation or arbitration | 10,473 | 14,403 | <i>Note 2</i> |
| | 540,218 | 755,181 | |

Note 1: As at 30 June 2022, the principal and interest of the banking facilities granted to third parties subject to guarantees given to the banks by the Group amounted to RMB529,745,000 (31 December 2021: RMB740,778,000), and other current liabilities related to financial guarantee contracts amounted to RMB22,795,000 (31 December 2021: RMB23,778,000). 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 period from 1 January to 30 June 2022, 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.

X. COMMITMENTS

As at 30 June 2022, the Group had no material capital commitment (31 December 2021: Nil).

XI. POST BALANCE SHEET DATE EVENTS

As at the date of approval for publication of these financial statements, the Group has no material post balance sheet date events that require disclosure.

XII. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by resolution of the Board of the Company on 29 August 2022.

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 |
| “associate(s)” | has the meaning ascribed to it under the Listing Rules, unless the context otherwise requires |
| “Audit Committee” | the Audit Committee of the Board |
| “Baoding Tianli” | Baoding Tianli Labor Service Co., Ltd. (保定天力勞務有限公司), a limited liability company incorporated in the PRC on 27 November 2001. As at the date of this report, Baoding Tianli was a wholly-owned subsidiary of Zhongming Zhiye, which was owned as to 92.5% and 7.5% by Zhongru Investment and Qianbao Investment, the controlling shareholders of the Company, respectively |
| “Board” or “Board of Directors” | the board of Directors of the Company |
| “Board of Supervisors” | the board of Supervisors of the Company |
| “CASBE” | Chinese Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC, as amended, supplemented or otherwise modified from time to time |
| “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 |
| “Corporate Governance Code” | Corporate Governance Code as set out in Appendix 14 to the Listing Rules, as amended, supplemented or otherwise modified from time to time |
| “CSRC” | China Securities Regulatory Commission |
| “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 2022, 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 |

DEFINITIONS

| | |
|------------------------------|---|
| “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 2022 and ending on 30 June 2022 |
| “RMB” | 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 |
| “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 |



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