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河北建設集團股份有限公司

HEBEI CONSTRUCTION GROUP CORPORATION LIMITED

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

(Stock Code: 1727)

**ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2021**

The board of directors (the “**Board**”) of Hebei Construction Group Corporation Limited (the “**Company**”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries for the six months ended 30 June 2021. This announcement complies with the relevant content requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) in relation to preliminary announcements of interim results.

PUBLICATION OF THE INTERIM RESULTS AND REPORT

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

The Company’s 2021 interim report containing all information required under the Listing Rules will be dispatched to the shareholders of H shares and published on the HKEXnews website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company’s website in due course.

By order of the Board

Hebei Construction Group Corporation Limited

Li Baozhong

Chairman & Executive Director

Hebei, the PRC

31 August 2021

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

FINANCIAL HIGHLIGHTS

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

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

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

BUSINESS OVERVIEW

Part I: Overview of Company's Business

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

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

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

New contract value (by region):

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

New contract value (by segment):

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

Building Construction Business

We provide construction contracting services for residential, public works, industrial and commercial construction projects. We undertake most of such construction projects as a general contractor. As a general contractor, we undertake all main aspects of construction projects, including building construction, foundation work, curtain wall construction, building decoration and fire engineering. We are also responsible for engaging subcontractors in providing construction services and the labor force for construction projects, coordinating the works of all parties, providing the major equipment and machinery, procuring raw materials and ensuring that construction projects are carried out on schedule. In the first half of 2021, the new contract value from the building construction business was RMB14,855 million, compared with RMB13,796 million for the corresponding period of last year.

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

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

Infrastructure Construction Business

In addition to our core building construction business, we are also providing construction contracting services for municipal and transportation infrastructure projects, including facilities for water supply and treatment, gas and heating, urban pipelines, landscaping, roads, bridges and airport runways. We undertake most of such construction projects as general contractor. Our infrastructure construction customers are primarily local governments. In the first half of 2021, the new contract value from the infrastructure construction business was RMB5,225 million, compared with RMB5,564 million for the corresponding period of last year.

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

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

Specialized and Other Construction Contracting Business

We also undertake construction contracting projects by leveraging our qualifications and experience in specialized areas such as electrical and mechanical installation, construction of steel structures and decoration. Our electrical and mechanical installation works generally cover the supply, installation and maintenance of equipment for power plants, pipelines for heating and natural gas, as well as air-conditioning, mechanical ventilation and exhaust air systems. Steel structure construction generally refers to the building of the structural supporting elements comprising steel columns, girders and beams of a construction project. Decoration usually refers to the decoration and fixture handling after the completion of the major construction of the building. In the first half of 2021, the new contract value from the specialized and other construction contracting business was RMB1,828 million, compared with RMB1,449 million for the corresponding period of last year.

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

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

Representative projects of new contracts

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

Business segment	Name of project	Contract value (RMB100 million)	Region
Public building	EPC General Contracting of Construction of Shengzhou Culture and Media Center (嵯州市文化傳媒中心建設工程EPC總承包)	5.64	Zhejiang
	Baoding Jingxiu Senior High School Construction Project (保定市競秀高級中學建設項目)	3.17	Hebei
	Construction of Wenxi County People's Hospital in Wenxi County Chengxi Healthcare Industry Park (聞喜縣城西健康產業園聞喜縣人民醫院建設項目施工)	3.09	Shanxi
Industrial building	Jinjinledao Industrial Park Center Project (巾巾樂道產業育城中心項目)	3.51	Hebei
	Zhongnan Hi-Tech Luancheng New Smart Valley Project (中南高科樂城新智谷項目)	2.19	Hebei
	EPC General Contracting of Phase I of Construction of Standardized Plants in Fudong Industrial Park (阜東產業園區工業台地標準化廠房建設項目一期設計、採購、施工總承包)	1.84	Hebei
Commercial building	Hengbai International Plaza Construction Project (衡百國際廣場建設項目)	2.35	Hebei
Municipal infrastructure construction	Xinjiang Production and Construction Corps 13th Division Xinxing City Center Ecological Green Space Construction Project (EPC General Contracting) (新疆生產建設兵團第十三師新星市中心城區生態綠地建設項目(設計採購施工一體化總承包))	6.85	Xinjiang Uygur Autonomous Region
Transportation infrastructure construction	New Hohhot Airport Airfield Runway Project (FXQ-CD-03) Section Construction (呼和浩特新機場飛行區場道工程(FXQ-CD-03)標段施工)	4.88	Inner Mongolia Autonomous Region
	Specialized Subcontracting Project for Construction of Shitouwo Tunnel (石頭窩隧道施工專業分包工程)	2.39	Guangdong
Decoration	Interior Decoration and Auxiliary Facilities of the Gu'an County People's Hospital Relocation and Construction Project (固安縣人民醫院遷址新建項目室內裝修及配套附屬工程)	1.45	Hebei

Representative projects of construction in progress

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

Business segment	Name of project	Executive contract value (RMB100 million)	Region
Commercial building	EPC General Contracting of the Dezhou Emergency Supplies Reserve and Cold Chain Logistics Supporting Base Project (德州市應急物資儲備及冷鏈物流保障基地項目 EPC 總承包)	3.00	Shandong
	Gu'an Laikangjun North Lakeside Commercial (Elderly Care and Healthcare Project Phase II) Project (固安來康郡·大湖北側商業(養老健康養生項目二期項目)項目)	4.00	Hebei
Industrial building	Construction Project of Hangzhou Renhe Grain Storage Depot (Second Bid Section) (杭州市仁和糧食儲備庫建設工程(標段二))	3.56	Zhejiang
Transportation infrastructure construction	Quinta, Ethiopia – Garsner Road Project Contract (Quinta – Kurba Segment) (埃塞俄比亞昆塔 - 加斯納道路工程合同(昆塔 - 庫爾巴段))	4.59	Ethiopia
	EPC General Contracting of the Construction Project of Bazhou Connecting Section (East Extension of Yingbin Road) of Beijing-Dezhou Expressway (京德高速霸州連接線(迎賓道東延)建設工程設計施工總承包)	4.07	Hebei
	PPP Project of Construction of South Section of Zhongshan Danan Highway (Addition of Six Lanes) (中山市大南公路(加六線)南區段工程 PPP 項目)	4.08	Guangdong
Municipal infrastructure construction	EPC General Contracting of Road Construction of Zhongke Science and Technology Innovation Park Project in Jingyang County (涇陽縣中科科創園項目園區道路項目工程總承包 (EPC))	1.59	Shaanxi
Steel structures	Construction of Anyue Jiayuan Residence Affordable Housing Project (Phase II) (Residential buildings 8#, 10#-13#, commercial building and kindergarten) (安悅佳苑小區保障性住房項目(二期)(8#、10#-13#住宅樓及商業、幼兒園)施工)	2.93	Hebei
Decoration	Renovation and Exhibition of New Hall of Zhangjiakou Museum (張家口市博物館新館裝修和布展)	0.65	Hebei
Specialized and Other Construction	EPC General Contracting of Road Greening and Landscaping of the First Phase of Langfang Airport Economic Zone (廊坊臨空經濟區起步區道路綠化及生態綠地 EPC 工程總承包)	2.62	Hebei

Representative projects of completed projects

Business segment	Name of project	Executive contract value (RMB100 million)	Region
Public building	Tsinghua Affiliated High School Chaoyang Campus Expansion and Renovation Project (清華附中朝陽學校改擴建工程)	1.01	Beijing
Residential building	Landun Classic B Zone Project (Ancillary facilities 10#, 12#, 15#-17#, B1#-B2#, underground parking garage) (蘭頓經典B區項目(10#、12#、15#-17#、B1#-B2#配套、地下車庫))	1.98	Hebei
	General Contracting of Baoyi Chongqing Bananlujiao M39 (Phase II) (保億重慶巴南鹿角M39(二期)總承包工程)	2.48	Chongqing
Transportation infrastructure construction	Main Body Construction Project of Beijing-Hebei Boundary to Tianjin-Shijiazhuang Expressway Section along Beijing New Airport – Dezhou Expressway (北京新機場至德州高速公路京冀界至津石高速段主體工程施工)	11.91	Hebei
Mechanical and electrical installation	EPC General Contracting of 2019 Dingzhou Ground Source Heat Heating and Power Supply Facilities Renovation Project (2019年定州市地源熱採暖供電設施改造工程設計施工總承包)	0.62	Hebei

Part II: Research and Development Achievements and Awards

In the first half of 2021, the Group achieved remarkable results in various aspects of technology innovation, including implementation of technology research and development projects, construction and operation of technology platform and application and licensing of intellectual property.

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

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

Part III: Outlook

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

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

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

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

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

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

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

FINANCIAL REVIEW

Operating Income, Operating Cost and Gross Profit

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

Segment operating results of construction contracting business

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

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

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

- (1) The building construction business, being the largest revenue contributor to construction contracting business, was not significantly affected by the COVID-19 pandemic during the Reporting Period, which led to an increase in revenue from building construction business of RMB3,818 million as compared to the same period of last year.

- (2) The revenue from infrastructure construction business increased by RMB1,667 million as compared to the same period of last year. The revenue from the infrastructure construction business recovered to the level of the corresponding period in previous years as the impact of the COVID-19 pandemic weakened during the Reporting Period. In addition, the proportion of infrastructure construction business with higher gross profit increased as the Group undertook more new infrastructure construction projects.
- (3) The revenue from specialized and other construction business in the first half of 2021 showed little change as compared to the same period of last year. Such business mainly includes other construction businesses such as mechanical and electrical installation and steel structure, which has a shorter construction period and more stable revenue.

Selling Expenses

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

Administrative Expenses

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

Research and Development Costs

The research and development costs of the Group for the first half of 2021 amounted to RMB15 million, representing an increase of RMB3 million as compared to the corresponding period of 2020. The research and development costs mainly calculate the costs incurred for research of special projects or production process, including the cost of materials utilised and salary of senior engineers involved in research and development. The increase was mainly because the Group was not significantly affected by the COVID-19 pandemic during the Reporting Period, while certain research and development projects had not commenced operation from January to March 2020 affected by the pandemic.

Credit Impairment Losses

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

Asset Impairment Losses

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

Investment Income

The investment income for January to June 2021 amounted RMB29 million, representing an increase of RMB33 million as compared to the corresponding period of 2020, which was mainly due to the increase in dividends declared by the investees under other equity instrument investment of strategic investment as compared to the corresponding period of last year.

Income Tax Expenses

The income tax expenses for January to June 2021 amounted to RMB53 million, representing a decrease of RMB17 million as compared to the corresponding period of last year, which was mainly due to the decrease in pre-tax profit which led to the decrease in income tax expenses.

Net Profit

Based on the above factors, net profit for the first half of 2021 was RMB229 million, representing a decrease of approximately RMB18 million as compared with the corresponding period of last year.

Liquidity, Financial Sources and Capital Structure

The Group finances operations primarily through cash generated from operating activities and interest-bearing borrowings. As of 30 June 2021 and 31 December 2020, the Group had cash and cash equivalents of approximately RMB5,771 million and approximately RMB8,001 million, respectively. For the liquidity and capital structure of the funds of the Group, please refer to the financial ratios below.

Currency Funds

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

Financial Policy

The Group regularly monitors cash flow and cash balances. Furthermore, it is dedicated to maintaining the optimal liquidity level required for working capital and keeping its business and multiple growth strategies at a stable and healthy level during the Reporting Period. In the future, the Group intends to finance operations through cash generated from operating activities and interest-bearing borrowings.

Long-term Equity Investments

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

Accounts Receivable and Long-term Receivables

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

Other Receivables

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

Contract Assets and Construction Services Contract Liabilities

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

Other Equity Instrument Investment

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

Borrowings

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

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

Bills and Accounts Payable

The balance of accounts payable as of 30 June 2021 was RMB33,491 million, representing a decrease of RMB1,535 million or 4% as compared with that at the end of 2020. Such change was mainly due to

Contingent Liabilities

As at 30 June 2021, the banking facilities granted to third parties subject to guarantees given to the banks by the Group were utilised to the extent of approximately RMB145 million, and contingent liabilities arising from pending litigation or arbitration amounted to RMB6.68 million.

RMB Exchange Rate Fluctuations and Exchange Risk

Most of the Group's businesses and all bank loans have been traded in RMB so there is no significant foreign exchange fluctuation risk. The Board does not expect that fluctuations in the RMB exchange rate and exchange fluctuations of other foreign currencies will have a significant impact on the Group's business or performance. The Group currently has no relevant foreign exchange risk hedging policies and therefore it has not carried out any hedging transactions to manage the potential risks of foreign currency fluctuations.

Employee and Remuneration Policies

As of 30 June 2021, the Group has had a total of 8,823 full-time employees (31 December 2020: 8,773). Through integrating human resources strategy and based on different job classification, the Group has established a performance and competence-oriented remuneration system and competitive remuneration standards with reference to the remuneration level of relevant enterprises in the same region and the same industry, which provided effective guarantee for recruiting, retaining and motivating talents, as well as the pursuit of human resources strategy of the Company.

Significant Subsequent Events

Save as disclosed in this announcement, there has been no major subsequent event of the Group from 30 June 2021 to the date of this announcement.

OTHER INFORMATION

Dividend

The proposed final dividend of RMB0.14 (tax inclusive) per share for 2020, totalling approximately RMB246,593,690, to the Shareholders of the Company was approved by voting by the Shareholders of the Company at the annual general meeting held on 8 June 2021. The Board does not recommend the payment of interim dividend for the six months ended 30 June 2021.

Compliance with the Corporate Governance Code

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

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

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

During the six months ended 30 June 2021, the Company had complied with all the code provisions as set out in the Corporate Governance Code and Corporate Governance Report in Appendix 14 to the Listing Rules and had adopted most of the recommended best practices as set out in Appendix 14 to the Listing Rules.

Compliance with the Model Code

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as the code for all Directors and Supervisors to conduct transactions of the Company's securities. The Company has made specific inquiries to all Directors and Supervisors, and they all confirmed that they have complied with the standards specified in the Model Code during the six months ended 30 June 2021.

Amendments to the Articles of Association

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

Purchase, Sale or Redemption of Listed Securities of the Company

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

Review of Interim Report by Audit Committee

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

INTERIM CONSOLIDATED BALANCE SHEET

30 June 2021

Assets	Note VI	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000
Current assets			
Currency funds		6,216,372	8,453,271
Financial assets held for trading		817	743
Accounts receivable	3	6,139,302	5,427,035
Receivables financing		2,327,260	1,699,431
Prepayments		562,257	822,212
Other receivables		2,731,263	2,437,425
Inventories		296,275	337,772
Contract assets		36,719,775	38,503,175
Non-current assets due within one year		43,646	35,102
Other current assets		255,333	180,561
Total current assets		<u>55,292,300</u>	<u>57,896,727</u>
Non-current assets			
Long-term receivables	4	162,238	85,792
Long-term equity investments		551,280	540,801
Contract assets		2,161,600	2,020,415
Other equity investments		782,461	769,108
Investment property		137,900	136,700
Fixed assets		849,696	362,101
Construction in progress		149,206	575,027
Right-of-use assets		27,447	31,773
Intangible assets		99,674	100,746
Deferred tax assets		358,589	274,692
Total non-current assets		<u>5,280,091</u>	<u>4,897,155</u>
Total assets		<u><u>60,572,391</u></u>	<u><u>62,793,882</u></u>

INTERIM CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2021

		For the six months ended 30 June 2021 RMB'000 (Unaudited)	For the six months ended 30 June 2020 RMB'000 (Unaudited)
Operating revenue	6	19,970,407	14,371,556
Less: Operating costs		18,890,792	13,604,235
Taxes and surcharges		47,836	34,409
Selling expenses		527	452
Administrative expenses		270,705	189,104
Research and development expenses		14,527	11,203
Finance expenses		159,937	168,793
Including: Interest expenses		182,470	198,406
Interest income		21,876	26,198
Add: Other income		–	4,503
Investment income/(loss)		28,824	(4,075)
Including: (Loss)/income from investments in associates and joint ventures		(450)	1,096
Loss from the derecognition of financial assets measured at amortised cost		(35,526)	(31,264)
Profit arising from changes in fair value		1,274	1,850
Credit impairment losses		(94,369)	(17,233)
Losses on asset impairment		(231,694)	(30,959)
Profit arising from disposal of assets		1,829	119
Operating profit		291,947	317,565
Add: Non-operating income		747	897
Less: Non-operating expenses		10,614	1,817
Total profit		282,080	316,645
Less: Income tax expenses	7	52,999	69,978
Net profit		229,081	246,667

INTERIM CONSOLIDATED INCOME STATEMENT (continued)

For the six months ended 30 June 2021

	<i>Note VI</i>	For the six months ended 30 June 2021 RMB'000 (Unaudited)	For the six months ended 30 June 2020 RMB'000 (Unaudited)
Classified by continuity of operations			
Net profit from continuing operations		229,081	246,667
Classified by shareholdership			
Net profit attributable to shareholders of the parent		236,829	249,129
Minority interests		(7,748)	(2,462)
Other comprehensive income/(loss), net of tax		12,092	(32,200)
Other comprehensive income/(loss), net of tax, attributable to shareholder of parents		12,092	(32,200)
Other comprehensive income that cannot be reclassified to profit and loss			
Changes in the fair value of other equity investments		10,015	(33,785)
Other comprehensive income that will be reclassified to profit and loss			
Changes in the fair value of receivables financing		<u>2,077</u>	<u>1,585</u>
Total comprehensive income		<u>241,173</u>	<u>214,467</u>
Including:			
Total comprehensive income attributable to shareholders of the parent		248,921	216,929
Total comprehensive (losses) attributable to minority shareholders		(7,748)	(2,462)
Earnings per share (RMB/share)			
Basic and diluted earnings per share	8	<u>0.13</u>	<u>0.14</u>

NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2021

1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

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

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

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

Statement of compliance with Accounting Standards for Business Enterprises

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

2. CHANGES IN ACCOUNTING POLICIES AND ESTIMATES

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

3. ACCOUNTS RECEIVABLE

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

An ageing analysis of accounts receivable is as follows:

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 <i>RMB'000</i>
Within 1 year	4,800,612	4,061,800
1 to 2 years	834,521	1,039,175
2 to 3 years	777,793	303,467
Over 3 years	452,973	686,242
	<hr/>	<hr/>
	6,865,899	6,090,684
Less: Bad debt allowance on accounts receivable	726,597	663,649
	<hr/>	<hr/>
	6,139,302	5,427,035
	<hr/> <hr/>	<hr/> <hr/>

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.

4. LONG-TERM RECEIVABLES

The operating revenue is as follows:

	For the six months ended 30 June 2021 RMB'000 (Unaudited)	For the six months ended 30 June 2020 RMB'000 (Unaudited)
Revenue from contracts with customers	19,955,411	14,355,917
Rental income	14,996	15,639
	<u>19,970,407</u>	<u>14,371,556</u>

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

For the six months ended 30 June 2021 (Unaudited)

Reporting segment	Construction RMB'000	Others RMB'000	Total RMB'000
Major operating regions			
China (excluding Hong Kong, Macau and Taiwan)	19,246,139	606,846	19,852,985
Other countries and regions	102,426	–	102,426
	<u>19,348,565</u>	<u>606,846</u>	<u>19,955,411</u>
Major products			
Building construction	13,268,901	–	13,268,901
Infrastructure construction	4,283,113	480,335	4,763,448
Specialised and other construction	1,558,616	–	1,558,616
Sewage and reclaimed water treatment	–	18,750	18,750
Sales of goods and others	237,935	107,761	345,696
	<u>19,348,565</u>	<u>606,846</u>	<u>19,955,411</u>
Timing of revenue recognition			
At a point in time			
Sales of goods and others	237,935	107,761	345,696
Within a period of time			
Building construction	13,268,901	–	13,268,901
Infrastructure construction	4,283,113	480,335	4,763,448
Specialised and other construction	1,558,616	–	1,558,616
Sewage and reclaimed water treatment	–	18,750	18,750
	<u>19,348,565</u>	<u>606,846</u>	<u>19,955,411</u>

For the six months ended 30 June 2020 (Unaudited)

Reporting segment	Construction <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
Major operating regions			
China (excluding Hong Kong, Macau and Taiwan)	13,603,029	659,879	14,262,908
Other countries and regions	93,009	–	93,009
	<u>13,696,038</u>	<u>659,879</u>	<u>14,355,917</u>
Major products			
Building construction	9,451,018	–	9,451,018
Infrastructure construction	2,501,451	594,896	3,096,347
Specialised and other construction	1,577,501	–	1,577,501
Sales of goods and others	166,068	64,983	231,051
	<u>13,696,038</u>	<u>659,879</u>	<u>14,355,917</u>
Timing of revenue recognition			
At a point in time			
Sales of goods and others	166,068	53,186	219,254
Within a period of time			
Building construction	9,451,018	–	9,451,018
Infrastructure construction	2,501,451	594,896	3,096,347
Specialised and other construction	1,577,501	–	1,577,501
Sewage and reclaimed water treatment	–	11,797	11,797
	<u>13,696,038</u>	<u>659,879</u>	<u>14,355,917</u>

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

	For the six months ended 30 June 2021 <i>RMB'000</i> (Unaudited)	For the six months ended 30 June 2020 <i>RMB'000</i> (Unaudited)
Building construction	2,003,000	1,335,121
Infrastructure construction	1,189,540	747,844
Specialised and other construction	246,881	447,095
	<u>3,439,421</u>	<u>2,530,060</u>

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

Construction services

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

Sale of goods

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

Sewage and reclaimed water treatment

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

7. INCOME TAX EXPENSES

	For the six months ended 30 June 2021 RMB'000 (Unaudited)	For the six months ended 30 June 2020 RMB'000 (Unaudited)
Current income tax expenses	140,752	80,966
Deferred income tax expenses	(87,753)	(10,988)
	<u>52,999</u>	<u>69,978</u>

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

	For the six months ended 30 June 2021 RMB'000 (Unaudited)	For the six months ended 30 June 2020 RMB'000 (Unaudited)
Total profit	282,080	316,645
Income tax expenses at the statutory tax rate (<i>Note</i>)	70,520	79,161
Profits and losses attributable to joint ventures and associates	113	(274)
Income not subject to tax	(16,200)	(6,250)
Non-deductible expenses	1,477	655
Unrecognised deductible temporary differences and deductible losses	12,911	6,190
Adjustments to current income taxes of previous periods	(8,449)	(8,965)
Deductible losses utilised from previous years	(7,373)	(539)
	<u>52,999</u>	<u>69,978</u>
Tax charge at the Group's effective tax rate		

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

8. EARNINGS PER SHARE

	For the six months ended 30 June 2021 RMB per share (Unaudited)	For the six months ended 30 June 2020 RMB per share (Unaudited)
Basic earnings per share		
Continuing operations	<u><u>0.13</u></u>	<u><u>0.14</u></u>

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:

	For the six months ended 30 June 2021 RMB'000 (Unaudited)	For the six months ended 30 June 2020 RMB'000 (Unaudited)
Earnings		
Net profit for the period attributable to ordinary shareholders of the Company		
Continuing operations	<u><u>236,829</u></u>	<u><u>249,129</u></u>
Shares		
Weighted average number of ordinary shares in issue of the Company	<u><u>1,761,383,500</u></u>	<u><u>1,761,383,500</u></u>

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

9. DIVIDEND

The proposed final dividend of RMB0.14 (tax inclusive) per share for 2020, totalling approximately RMB246,593,690, to the Shareholders of the Company was approved by voting by the Shareholders of the Company at the annual general meeting held on 8 June 2021 (the “2020 AGM”). No interim dividend is proposed for the six months ended 30 June 2021.

DEFINITIONS

“Articles of Association”	the articles of association of the Company, as amended, supplemented or otherwise modified from time to time
“Audit Committee”	the Audit Committee of the Board
“China” or “PRC”	the People’s Republic of China, excluding, for the purpose of this announcement, Hong Kong, Macau and Taiwan
“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
“Reporting Period”	the period of six months commencing on 1 January 2021 and ending on 30 June 2021
“RMB”	Renminbi, the lawful currency of the PRC
“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
“Supervisor(s)”	supervisors of the Company
“%”	per cent.