2018
Annual Report

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

CONTENTS

CHAIRMAN'S STATEMENT

Dear Shareholders,

At this cheerful moment, on behalf of the Board of Directors of Hebei Construction Group Corporation Limited, I would like to express my sincere gratitude to all Shareholders and the public for the concerns and support to the Company in the past year!

The year 2018 marked the first full financial year after the Listing of the Company in accordance with the requirements of the Listing Rules. In the past year, bearing in mind the trust and commitment of Shareholders, we stuck to the overarching goal to be "an enterprise with awareness, a legal person with character" (有思想的企業，有人格的法人) and in "character" we mean integrity and ethical conduct, widely recognized by property owners with various economic and technical indicators hitting another record high.

We seized the opportunity to work hard on a high-quality financial platform such as H shares, which enabled the Company to continuously increase its influence in the domestic and international markets, improved its internal control system and business processes, and accelerated the accumulation of internal and external resources.

We dare to compete, adhere to scientific management, take the market-oriented approach, and press ahead among peers. The contract value hit the record high. In 2018, the Group's accumulative new contract value reached RMB67.748 billion, representing a year-on-year increase of 10.5%. Meanwhile, by means of a series of measures featuring "Model Transformation, Structural Adjustment, Management Enhancement and Award Priority", we achieved a steady increase in operating income and revenue. In 2018, the Group achieved operating income of RMB46.649 billion, a year-on-year increase of 13.3% and net profit of RMB1.133 billion, a year-on-year increase of 6.2%.

With the focus on long-term development, new progress was obtained in the quality and technology of our projects. The Group was approved to establish the academician workstation, state post-doctorate research working station and the National Enterprise Technology Center. Meanwhile, it was accredited the standing councilorship of the Science and Technology Industrialization Network Alliance of the Chinese Academy of Sciences. Outpatient Building of Baoding No.1 Central Hospital Complex (保定市第一中心醫院門診綜合樓) was unanimously awarded the 2018 Lu Ban Award. We also garnered two China Steel Structure Gold Awards (中國鋼結構金獎), three Chinese Construction Project Decoration Awards (中國建築工程裝飾獎), one Guangsha Prize (廣廈獎) and 59 provincial-level quality projects.

We pay close attention to the future of the enterprise and continuously strengthen personnel training. In 2018, 360 employees passed the first-class registered architect examination. The Company has 1,558 first-class construction engineers, which is a great treasure of the Company. A total of 4 employees won the title of "National Outstanding Project Manager (全國優秀項目經理)" and 27 were recognized as "Outstanding Project Manager in Hebei Province (河北省優秀項目經理)".

In 2019, with the keynote of "Quality and Efficiency Improvement and Stability for Sustainable Development", the Group will continue to discharge its responsibilities as a listed company to share the development dividends with Shareholders. In the pursuit of better management capability, we will seek triumphs both in economic benefit and business scale. Leveraging on the technology and financial strength, the Company is well positioned to distinguish itself among competitors. Committed to painstaking efforts and a down-to-earth mindset, we will join hands together to grasp new opportunities for further growth, so as to serve the society, repay Shareholders and benefit all staff with good results!

Li Baozhong
Chairman

25 March 2019

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
Ms. Liu Shuzhen[1]
Mr. Zhao Wensheng[2]

Non-executive Directors

Mr. Li Baoyuan *(Honorary Chairman)*
Mr. Cao Qingshe *(Vice Chairman)*

Independent Non-executive Directors

Mr. Xiao Xuwen
Ms. Shen Lifeng
Ms. Chen Xin
Mr. Chan Ngai Sang Kenny

SUPERVISORS

Mr. Mao Yuanli
(Former Chairman of the Board of Supervisors)[3]
Mr. Yu Xuefeng
(Chairman of the Board of Supervisors)[4]
Mr. Liu Jingqiao
Ms. Feng Xiujian
Mr. Yue Jianming
Mr. Wang Feng

JOINT COMPANY SECRETARIES

Mr. Li Wutie
Ms. Wong Wai Ling *(ACIS, ACS)*

AUTHORIZED REPRESENTATIVES

Ms. Shen Lifeng
Ms. Wong Wai Ling *(ACIS, ACS)*

BOARD COMMITTEES

Audit Committee

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

Remuneration And Appraisal Committee

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

Nomination Committee

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

1 Ms. Liu Shuzhen resigned as the executive Director, vice president and chief economic officer of the Company on 8 January 2019.
2 Mr. Zhao Wensheng took office as the executive Director of the Company on 25 February 2019.
3 Mr. Mao Yuanli resigned as Supervisor and chairman of the Board of Supervisors of the Company on 25 June 2018.
4 Mr. Yu Xuefeng took office as Supervisor and chairman of the Board of Supervisors of the Company on 25 June 2018.

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[5]

40th Floor, Sunlight Tower
248 Queen's Road East
Wanchai, Hong Kong

STOCK SHORT NAME AND STOCK CODE

HEBEI CONS (01727)

H SHARE REGISTRAR

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

COMPANY WEBSITE

http://www.hebjs.com.cn

INVESTOR RELATIONS CONTACT

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LEGAL ADVISORS

As to Hong Kong law

Clifford Chance
27/F, Jardine House
One Connaught Place
Central, Hong Kong

As to PRC law

Jia Yuan Law Offices
F408, Ocean Plaza
158 Fuxing Men Nei Street, Xicheng District
Beijing, PRC

AUDITOR

Ernst & Young
Certified Public Accountants
22nd Floor, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

COMPLIANCE ADVISER

Central China International Capital Limited
Suite 3108
Two Exchange Square 8
Connaught Place Central, Hong Kong

5 The Company's principal place of business in Hong Kong has been changed since 30 July 2018.

FINANCIAL HIGHLIGHTS

SUMMARY OF CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Year ended 31 December				
	2018	2017	2016	2015	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
RESULTS					
CONTINUING OPERATIONS					
REVENUE	**46,649,243**	41,177,335	38,609,402	27,215,650	24,859,136
Cost of sales	**(44,082,321)**	(38,946,373)	(36,726,588)	(26,199,569)	(24,115,444)
Gross profit	**2,566,922**	2,230,962	1,882,814	1,016,081	743,692
Other income and gains	**202,101**	381,914	201,751	188,182	193,554
Selling and distribution costs	**(28,370)**	(39,300)	(65,955)	(13,238)	(20,135)
Administrative expenses	**(437,884)**	(423,257)	(325,698)	(252,293)	(238,489)
Other expenses	**(249,192)**	(399,368)	(212,882)	(59,523)	(78,406)
Finance costs	**(282,272)**	(182,537)	(230,343)	(186,476)	(121,920)
Share of profits and losses of:					
Associates	**(164,626)**	(3,559)	58,264	19,242	(6,366)
PROFIT BEFORE TAX	**1,606,679**	1,564,855	1,307,951	711,975	471,930
Income tax expense	**(473,625)**	(497,449)	(257,220)	(168,926)	(112,528)
PROFIT FOR THE YEAR	**1,133,054**	1,067,406	1,050,731	543,049	359,402
DISCONTINUED OPERATIONS					
Profit/(loss) for the year from discontinued operations	**-**	26,722	(237,128)	(132,816)	(8,091)
Fair value changes of financial assets at fair value through other comprehensive income	**81,200**	-	-	-	-
Impact of income tax	**(20,300)**	-	-	-	-
Other comprehensive income, net of tax	**60,900**	-	-	-	-
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**1,193,954**	1,094,128	813,603	410,233	351,311
Attributable to:					
Owners of the parent	**1,173,420**	1,052,246	768,178	406,277	358,486
Non-controlling interests	**20,534**	41,882	45,425	3,956	(7,175)
	1,193,954	1,094,128	813,603	410,233	351,311
Basic earnings per share attributable to ordinary equity holders of the parent	**0.63**	0.80	0.64	0.34	0.46

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2018	2017	2016	2015	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
TOTAL ASSETS	**60,720,038**	50,758,662	61,406,992	52,142,699	43,277,147
TOTAL LIABILITIES	**(55,031,645)**	(46,447,353)	(58,317,314)	(49,970,930)	(41,331,022)
NON-CONTROLLING INTERESTS	**(510,606)**	(408,622)	(255,443)	(90,862)	(95,495)
	5,177,787	3,902,687	2,834,235	2,080,907	1,850,630

SUMMARY OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 December				
	2018	2017	2016	2015	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Total non-current assets	**3,281,188**	2,163,369	1,524,130	2,446,183	2,260,468
Total current assets	**57,438,850**	48,595,293	59,882,862	49,696,516	41,016,679
Total assets	**60,720,038**	50,758,662	61,406,992	52,142,699	43,277,147
Equity attributable to owners of the parent	**5,177,787**	3,902,687	2,834,235	2,080,907	1,850,630
Non-controlling interests	**510,606**	408,622	255,443	90,862	95,495
Total equity	**5,688,393**	4,311,309	3,089,678	2,171,769	1,946,125
Total non-current liabilities	**1,365,450**	1,721,780	540,280	1,489,457	1,285,695
Total current liabilities	**53,666,195**	44,725,573	57,777,034	48,481,473	40,045,327
Total liabilities	**55,031,645**	46,447,353	58,317,314	49,970,930	41,331,022
Total equity and liabilities	**60,720,038**	50,758,662	61,406,992	52,142,699	43,277,147

BUSINESS OVERVIEW

PART I: INDUSTRY OVERVIEW

Overview of macro economy in China: In 2018, the annual nominal gross domestic product ("**GDP**") in China was RMB90,030.9 billion, representing an increase of 6.6% from last year based on comparable price. Despite the slowdown in growth, nominal GDP in China is still expected to show a CAGR of 7.9% from 2016 to 2021, reaching RMB106.3 trillion in 2021, driven by the strong potential in domestic consumption, government stimulus policy and continuous investment in fixed assets.

The construction industry plays a significant role in the development of national economy. Building construction, infrastructure construction and professional supporting services are important components of the construction industry in China. Total output value of the construction industry for 2018 was RMB23,508.6 billion, representing a year-on-year increase of 9.9%, which was higher than the national GDP growth. The national building construction area amounted to 14.09 billion sq.m., representing a year-on-year growth of 6.9%. The newly commenced construction area increased by 17.2% year-on-year to 2,093.42 million sq.m., of which newly commenced residential area went up by 19.7%. In 2018, national fixed assets investment (excluding farmers, the same hereafter) amounted to RMB63,563.6 billion, of which infrastructure investment (excluding in electricity, heat, fuel gas and water production and supply industries) increased by 3.8% from the last year.

Overview of macro economy in the Beijing-Tianjin-Hebei Region: The Beijing-Tianjin-Hebei Region, which is the region with the highest urbanization rate in Northern China, covers Beijing, Tianjin and 11 prefecture-level cities in Hebei Province (including Baoding, Tangshan, Langfang, Shijiazhuang, Xingtai, Handan, Hengshui, Cangzhou, Qinhuangdao, Zhangjiakou and Chengde). The coordinated development of the Beijing-Tianjin-Hebei Region aims at promoting the synergetic development of Beijing, Tianjin and Hebei. Its missions are to build a new capital-centered economic circle, to promote the innovation of regional development mechanism. It is an effective way to explore ecological civilization construction and the coordinated development of population, economy, resources and environment.

On 1 April 2017, the CPC Central Committee and the State Council issued a notice to set up Xiong'an New Area in Hebei Province. Located in the hinterland of Beijing, Tianjin and Baoding, Xiong'an New Area covers the three counties of Xiongxian, Rongcheng and Anxin in Hebei Province and their surrounding area. The decision is to relieve the non-capital functions of Beijing and to advance the coordinated development of the Beijing-Tianjin-Hebei Region. The establishment of Xiong'an New Area will promote the construction of infrastructure. With the proceeding of the coordinated development of the Beijing-Tianjin-Hebei Region, the investment related to infrastructure construction is likely to surge significantly, among which the investment in infrastructure and rail transit will also bloom. It is estimated that the accumulated investment in the fixed assets of Xiong'an New Area will exceed RMB400 billion in the next five years from 2017 to 2021.

With the official approval and implementation of Hebei Xiong'an New Area Master Plan (2018-2035) and Baiyangdian Ecological Environment Management and Protection Plan (2018-2035), a new stage of large-scale development and construction will emerge. Xiong'an New Area and the sub-center of Beijing have shifted from the top-level design stage to the substantive construction stage.

PART II: 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 contracting services mainly as a general contractor for building construction projects and infrastructure construction projects.

- Other businesses. We also engage in property development, service concession arrangements and other businesses.

Our total revenue increased from RMB41,177 million in 2017 to RMB46,649 million in 2018, representing a year-on-year growth of 13.3%. Our profit for the year increased by 6.2% from RMB1,067 million in 2017 to RMB1,133 million in 2018. A substantial majority of our revenue was generated from the construction contracting business, which mainly comprises building construction business, infrastructure construction business and specialized and other construction contracting business. Of which, new contract value increased by 10.5% from RMB61,309 million in 2017 to RMB67,748 million in 2018, and ongoing contract backlog increased by 21.2% from RMB67,266 million in 2017 to RMB81,554 million in 2018.

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

Year	2017	**2018**
RMB100 million	613.09	**677.48**
Share of Beijing-Tianjin-Hebei Region	56.66%	**57.37%**
Share of other regions	43.34%	**42.63%**

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

Year	2017	2018
RMB100 million	613.09	**677.48**
Share of building construction	63.46%	**64.05%**
Share of infrastructure construction	33.68%	**25.45%**
Share of specialized and other construction	2.86%	**10.50%**

Ongoing contract backlog of building construction business (by region):

Year	2017	2018
RMB100 million	672.66	**815.54**
Share of Beijing-Tianjin-Hebei Region	61.27%	**55.74%**
Share of other regions	38.73%	**44.26%**

Ongoing contract backlog of the building construction business (by segment):

Year	2017	2018
RMB100 million	672.66	**815.54**
Share of building construction	70.51%	**69.74%**
Share of infrastructure construction	23.16%	**21.09%**
Share of specialized and other construction	6.33%	**9.17%**

(1) Building Construction Business

We provide construction contracting services for residential, public works, industrial and commercial construction projects. We undertook most of such construction projects as a general contractor. As a general contractor, we perform all the main aspects of the construction project, including building construction, foundation works, curtain wall construction, building decoration and fireproofing projects. We are also responsible for engaging subcontractors in providing construction services and the labor force for the construction project, coordinating the work of all parties, providing the major equipments and machinery, procuring raw materials and ensuring that the construction project is on schedule. In 2017 and 2018, new contract value of building construction projects was RMB38,909 million and RMB43,392 million, and ongoing contract backlog was RMB47,430 million and RMB56,881 million, respectively.

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

Year	2017	2018
RMB100 million	389.09	**433.92**
Share of Beijing-Tianjin-Hebei Region	53.60%	**56.02%**
Share of other regions	46.40%	**43.98%**

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

Year	2017	2018
RMB100 million	389.09	**433.92**
Share of residential construction	48.78%	**62.95%**
Share of public building construction	37.26%	**26.09%**
Share of industrial building construction	10.03%	**8.82%**
Share of commercial building construction	3.93%	**2.14%**

Ongoing contract backlog of the building construction business (by region):

Year	2017	2018
RMB100 million	474.30	**568.81**
Share of Beijing-Tianjin-Hebei Region	60.67%	**57.37%**
Share of other regions	39.33%	**42.63%**

Ongoing contract backlog of the building construction business (by segment):

Year	2017	2018
RMB100 million	474.30	**568.81**
Share of residential construction	56.08%	**63.11%**
Share of public building construction	27.79%	**25.31%**
Share of industrial building construction	11.43%	**8.30%**
Share of commercial building construction	4.70%	**3.28%**

(2) Infrastructure Construction Business

In addition to building construction, which has been our core business, we are also providing increasing construction contracting services for municipal and transportation infrastructure projects, including facilities for water supply and treatment, gas and heating, urban pipelines, roads, bridges and airport runways. We undertook most of such construction projects as a general contractor. Our infrastructure construction customers are primarily local governments. In 2017 and 2018, new contract value of infrastructure construction projects was RMB20,648 million and RMB17,241 million, and ongoing contract backlog was RMB15,576 million and RMB17,196 million, respectively.

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

Year	2017	**2018**
RMB100 million	206,48	**172.41**
Share of Beijing-Tianjin-Hebei Region	60.90%	**57.95%**
Share of other regions	39.10%	**42.05%**

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

Year	2017	**2018**
RMB100 million	206,48	**172.41**
Share of municipal infrastructure construction	69.50%	**48.15%**
Share of transportation infrastructure construction	30.50%	**51.85%**

Ongoing contract backlog of the infrastructure construction business (by region):

Year	2017	**2018**
RMB100 million	155.76	**171.96**
Share of Beijing-Tianjin-Hebei Region	58.14%	**54.56%**
Share of other regions	41.86%	**45.44%**

Ongoing contract backlog of the infrastructure construction business (by segment):

Year	2017	**2018**
RMB100 million	155.76	**171.96**
Share of municipal infrastructure construction	60.85%	**63.76%**
Share of transportation infrastructure construction	39.15%	**36.24%**

(3) Specialized and Other Construction Contracting Business

We also undertake construction contracting projects by leveraging our qualifications and experience in specialized areas such as electrical and mechanical installation and construction of steel structures. Our electrical and mechanical installation works generally cover the supply, installation and maintenance of equipment for power plants, pipelines for heating and natural gas, as well as air-conditioning, mechanical ventilation and exhaust air systems. Steel structure construction generally refers to the building of the structural supporting elements comprising steel columns, girders and beams of a construction project. In 2017 and 2018, new contract value of specialized and other construction contracting business was RMB1,752 million and RMB7,115 million, and ongoing contract backlog was RMB4,260 million and RMB7,477 million, respectively.

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

Year	2017	**2018**
RMB100 million	17.52	**71.15**
Share of Beijing-Tianjin-Hebei Region	75.00%	**64.22%**
Share of other regions	25.00%	**35.78%**

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

Year	2017	**2018**
RMB100 million	17.52	**71.15**
Share of electrical and mechanical installation	46.46%	**11.38%**
Share of steel structures	8.50%	**20.17%**
Share of other construction business	45.04%	**68.45%**

Ongoing contract backlog of the specialized and other construction contracting business (by region):

Year	2017	2018
RMB100 million	42.60	**74.77**
Share of Beijing-Tianjin-Hebei Region	79.47%	**46.05%**
Share of other regions	20.53%	**53.95%**

Ongoing contract backlog of the specialized and other construction contracting business (by segment):

Year	2017	2018
RMB100 million	42.60	**74.77**
Share of electrical and mechanical installation	9.78%	**2.97%**
Share of steel structures	10.09%	**2.00%**
Share of other construction business	80.13%	**95.03%**

PART III: RESEARCH AND DEVELOPMENT ACHIEVEMENTS AND AWARDS

The Company has expanded its market to 31 provinces, municipalities and autonomous regions, as well as nearly 10 overseas countries. As of now, it has launched 22 projects and participated in 12 projects that won the Lu Ban Awards. The Company has received the "National Quality Award (全國質量獎)", "National Quality Project Award (國家優質工程獎)", "Steel Structure Gold Award (鋼結構金獎)", "Star of China Installation Award (安裝之星獎)" and "National Decoration Award (全國裝飾獎)", and was accredited for over 500 "Provincial Quality Construction (省優工程)" and more than 300 provincial or above "Safety Civilization Construction Sites (安全文明工地)".

The Company was awarded the "Second Prize of the National Science and Technology Progress Award (國家科技進步二等獎)", the "Innovation Achievement Award of the China Construction Industry Association (中國建築業協會創新成果獎)" and a large number of provincial-level science and technology achievements and patents.

Following the introduction of the performance excellence management model, the Company won the "National Quality Award (全國質量獎)" and two "Provincial Government Quality Awards (省政府質量獎)". Recognized by the MOHURD, it was one of the 20 recipients of the "National Excellent Project Quality Management Enterprise Award (全國工程質量管理優秀企業)". It also received the title of "National Model of Workers' Home (全國模範職工之家)" and the "National 1st May Labour Award (全國五一勞動獎狀)".

1. In 2018, the Company led or participated in the formulation of nine sets of regulations, standards and rules, and was in the process of preparing 26 sets of regulations, standards and rules.

2. The Company was accredited for 20 provincial-level key process technology, five of which are among the top in China.

3. In 2018, the Company submitted 99 patent applications in China, including 28 applications for invention patents, and was granted 78 patents (including four invention patents).

4. In 2018, the Company was awarded one Lu Ban Award, three "Chinese Construction Decoration Project Awards (中國建築工程裝飾獎)", two "China Steel Structure Gold Awards (中國鋼結構金獎)" and 59 provincial-level quality construction awards.

5. In 2018, the Company was approved to establish the National Enterprise Technology Center, which set up a broader technology platform for the Group.

6. In 2018, the Company was approved to establish a postdoctoral research workstation, thereby introducing " external brain" to the Group and laying a solid technological foundation.

7. In 2018, the Organization Department of the CPC Hebei Provincial Committee, the Science and Technology Department of Hebei Province and the science and technology association of Hebei Province reviewed and recognized the Company's academician workstations, which introduced academician intelligence to enhance the Group's scientific and technological innovation capability.

8. In 2018, the Company joined the Science and Technology Industrialization Network Alliance initiated by the Chinese Academy of Sciences and held standing councilorship.

PART IV: OUTLOOK

In 2019, the Company will continue to adopt the strategy of "foundation strengthening, business upgrade, further innovation and sustainable development". Centering on the performance excellence model and focusing on efficiency, it will pursue various goals with high-caliber talents by adopting information technology and innovation measures, while the Project Department will be guided by the operation manual to provide strong support. To this end, we will attach importance to the following tasks:

(i) Fulfilling the Responsibilities of a Listed Company and Sharing the Development Dividends with Shareholders

The Shareholders' investment in the Company is an epitome of their trust and support to us. We have established a sense of respect for Shareholders and prioritize their interests. We will earnestly consider the interests of Shareholders and consciously safeguard their interests to satisfy and reassure them.

In order to reward Shareholders with expected returns, we will set off a climax of "competition in market dominance, efficiency enhancement, organizational construction and intensive management" throughout the Company, so as to encourage positive trends, set up models to learn from and keep pace with the best performers, thereby rewarding the trust and support of investors with creditworthy and excellent performance.

(ii) Improving Management Capacity to Pursue Progress in Both Efficiency and Scale

1. Helping employees realize their aspirations leveraging on organizational construction

Organizational construction is one of the Group's four treasures. "People assume posts and posts are in organizations while organizations are in networks. The organization creates an environment for talents who contribute strength to the development of the organization". We will build up a strong organizational system and a developed organizational network through the construction of "intelligence headquarters, competent branches, subsidiaries and qualified project departments" to be one of our core competitiveness.

As our brain and the central nervous system, authority should be established and maintained at the headquarters. We strive to establish ourselves into "two providers": one being the leading integrated service provider in construction service, and the other the leading municipal service provider.

To enhance, expand and consolidate our branches and subsidiaries for sustainable development remains as our constant goal.

The Project Department focuses on improving practical capability.

2. *Drawing on market leading position to enhance market dominance through our own strength*

"The fittest survives in the natural selection of the game" is the law of survival. We will seize the "leading position" of the market, give full play to our own advantages, further enhance the market leading capacity, continue to optimize the undertaking model, and deeply explore the market of Xiong'an New Area.

3. *Highlighting on-site management to provide value-added services for property owners and users.*

Users and property owners choose us because we present them with surprises, which are derived from our value-added services. Such services are manifested from high-quality projects with priority to safety production and the implementation of standard management.

4. *Leveraging operation and management to continuously promote high quality development capability*

In the new era, domestic economy has shifted from high-speed growth to high-quality development. The Company has also reached a critical stage of transforming its development approach, optimizing its economic structure, and transmitting its growth momentum. We will focus on economic efficiency, continuously improve the sustainable profitability, and effectively increase the Company's economic aggregate.

(iii) Fledging our Wings to Distinguish Ourselves from Competitors

1. *Harvesting desirable profits in the capital market leveraging on one wing of finance*

The successful presence in the international financial capital market marked an important milestone in the Company's development history. We will continue to expand the scale of financing, enrich financial products, forge ahead towards the high-end market, and ultimately optimize the market structure and improve the profitability.

2. *Driving enterprise change by technological innovation with the support of the other wing of technology*

Facing the brand new stage, situation and tasks upon the Company's listing, we will explore new ideas, new designs and new strategies in science and technology aspects and seek for the landing of science and technology projects. We are committed to green construction and comprehensively enhancing our independent innovation capabilities, to create our own core and key technologies to enhance overall technical level, thereby accelerating industrial transformation and upgrading.

(iv) Promoting the "Family·People" Culture and Forging a "Century-old Enterprise"

Adhering to a better vision of "a happy enterprise that seeks common development and a century-old company with an ever-lasting foundation", we will strive to create the warmth of "home" and display the image of a responsible large-scale enterprise. We will focus on the following aspects:

1. *Strengthening personnel training*

The Chinese nation has always cherished a fine tradition of cultivating talents. We will "select the best of talents" and "identify, cherish, respect, and use talents" to create a talent growth environment with the mindset of "hoping our employees to achieve a bright future".

2. *Establishing the career concept with noble wills and down-to-earth efforts*

Confucian traditional philosophy pursues "self-cultivation, family management, state governing, and world ruling". The Group's success is attributable to the passionate and down-to-earth efforts of all staff united together. The Group's and each employee's future also depends on the passionate efforts and struggling of employees.

3. *Daring to be a responsible enterprise*

We will actively bear the responsibility with gratitude, and further shape our employees into individuals responsible for the Company, for families, for customers, and for the society and shape ourselves into an enterprise responsible for the "five stakeholders". We will earnestly practice faithful operation, compliance management, lawful tax payment and employment stimulation to actively reward the society.

4. *Sharing development dividends with employees and their families*

We will continue to rely on employees for development and grow with employees, sharing development dividends with them and creating a happy and decent life for them.

The Company is an enterprise with ideals, pursuits and responsibilities promising robust development momentum. We will make persistent efforts and ride on our success for sustainable development. Hebei Construction Group is committed to be a brand enterprise to the happiness of employees, pride of Shareholders and respect of the society. We are sure to be a century-old enterprise seeking common development with ever-lasting foundation!

FINANCIAL REVIEW

Operating Income, Operating Cost and Gross Profit

Revenue of the Group increased by 13.3%, or approximately RMB5,472 million from approximately RMB41,177 million in 2017 to RMB46,649 million in 2018, which was mainly due to a growth of RMB5,442 million in construction contracting business, a decrease of RMB703 million in property development business and an increase of RMB733 million in other business.

In particular:

(1) Segment operating results of construction contracting business

	2017				2018			
	Revenue	Cost	Gross profit	Percentage	Revenue	Cost	Gross profit	Percentage
	RMB100 million	*RMB100 million*	*%*	*%*	*RMB100 million*	*RMB100 million*	*%*	*%*
Building construction business	244.64	235.72	3.6	62.9	297.29	285.76	3.9	67.0
Infrastructure construction business	95.03	90.60	4.7	24.4	107.54	100.07	6.9	24.2
Specialized and other construction business	49.42	46.68	5.5	12.7	38.69	37.47	3.2	8.7
Total	389.09	373.00	4.1		443.52	423.30	4.6	

When compared with the same period last year, of each category of the Group's revenue of construction contracting businesses, revenue from the building construction business and the infrastructure construction business recorded an increase while that of the specialized and other construction business recorded a decrease. The increase in revenue from the building construction business was due to the decision of the State Council of the CPC Central Committee to set up the Xiong'an New Area on 1 April 2017, after which the Company focused on expanding its peripheral residential construction business and undertook more new residential construction projects in 2018 resulting in an increase in the income in this segment. Industrial construction projects were originally mainly concentrated in Beijing, Tianjin and Hebei region. Leveraging on its popularity upon listing, the Company strategically developed industrial construction business in other regions such as the Yangtze River Delta, resulting in a substantial increase in operating income in this segment. The growth in infrastructure construction business was due to an increase of approximately RMB572 million in municipal infrastructure construction and approximately RMB679 million in transportation infrastructure construction. The acceleration of construction progress in 2018 led to an increase in revenue of this segment.

(2) The Group has been engaged in property development for many years. However, due to the Group's strategy policy to reduce the scale of property development, the related revenue significantly dropped.

(3) The other types income of the Group are mainly from the BOT business during construction period and concrete sales. The related income increased by RMB733 million in 2018 compared with 2017.

The gross profit margin of each business segment has increased. Gross profit margin from the construction contracting business increased from 4.1% in 2017 to 4.6% in 2018. As the Group has paid more attention to the quality of construction projects in recent years, generally speaking, the gross profit margin has increased steadily and the gross profit margin of each segment has also increased during the period.

Other Income and Gains

Other income and gains decreased by approximately RMB180 million from approximately RMB382 million in 2017 to RMB202 million in 2018, mainly due to no gains from disposal of subsidiaries and major long-term assets during the period.

Selling and Distribution Expenses

Selling and distribution expenses decreased by approximately RMB11 million from RMB39 million in 2017 to RMB28 million in 2018, which was mainly attributable to the pre-sale of major projects of real estate companies in the previous years, and a decrease in sales staff salaries and advertising expenses.

Administrative Expenses

Administrative expenses increased by approximately RMB15 million from approximately RMB423 million in 2017 to approximately RMB438 million in 2018, which was mainly due to the increase in employee salaries this year.

Finance Costs

Finance costs, which are interest expenses on bank borrowings, increased by approximately RMB99 million from approximately RMB183 million in 2017 to approximately RMB282 million in 2018. The increase of finance costs was mainly due to the fact that the Group has gradually used long-term borrowings to replace short-term borrowings from the beginning of 2017 and interest rates increased when compared with the same period last year.

Share of Profits and Losses of Associates

Share of losses of associates increased by approximately RMB161 million from approximately RMB4 million in 2017 to RMB165 million in 2018, which was mainly due to significant losses from associates.

Income Tax Expense

Income tax expenses decreased by approximately RMB23 million from approximately RMB497 million in 2017 to approximately RMB474 million in 2018. The decrease in income tax expenses was mainly attributable to the decrease in the delivery by real estate enterprises this year, which led to a decrease in the impact of land value-added tax on income tax expenses.

Liquidity, Financial Sources and Capital Structure

The Group finances operations primarily through cash generated from operating activities and interest-bearing borrowings. As of 31 December 2018 and 31 December 2017, the Group had cash and cash equivalents of approximately RMB5,818 million and approximately RMB5,288 million, respectively.

Financial Policy

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

Investment in Associates

The Group added an investment of RMB20 million to its associate Hebei Zitan Real Estate Development Co., Ltd. and holds a 40% stake, RMB17 million to Bozhou Xiangju Construction Engineering Co., Ltd. and holds a 11% stake, and RMB3 million to Zhongyuan Environmental Protection (Neihuang) LiangLi Ecological Construction Project Management Co., Ltd. and holds 5% stake. During the year, as a result of loss of control in a subsidiary, Guang'an Zhongcheng Real Estate Development Co., Ltd. (廣安中誠房地產開發有限公司) due to partial disposal of equity interests, the remaining equity interests were accounted for as investment in associates.

Contract Assets

The Group adopted IFRS 15 in this period. According to the IFRS 15, amounts due from customers from contract works, receivables under service concession arrangements and undue retention receivable were reclassified to contract assets. The amounts due from customers from contract works and receivables under service concession arrangements increased by approximately 34.2%, from approximately RMB28,239 million as of 31 December 2017 to approximately RMB37,896 million as of 31 December 2018.

Trade and Bills Receivables

The balance of trade receivables decreased by approximately RMB186 million or 4.3% from approximately RMB6,588 million as of 31 December 2017 to approximately RMB6,402 million as of 31 December 2018 with basically no change.

Trade and Bills Payables

The balance of trade and bills payables increased by approximately RMB7,469 million from approximately RMB30,850 million as of 31 December 2017 to approximately RMB38,319 million as of 31 December 2018, mainly due to the increase in the quantities of new projects in 2018 in the current period, resulting in a corresponding increase in trade payables. The balance of bills payable increased by about RMB217 million from the end of last year, mainly due to the change of the settlement method between the Group and some of the long-term cooperative suppliers to settlement via bills.

Financial Ratios

	31 December 2018	31 December 2017
Current ratio (times) (1)	**1**	1
Quick ratio (times) (2)	**1**	1
Gearing ratio (3)	**61.2%**	82.8%
Return on assets (4)	**2.0%**	2.0%
Return on equity (5)	**22.7%**	29.6%

Notes:

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

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

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

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

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

Borrowing and Asset Mortgage

As of 31 December 2018, the Group's interest-bearing borrowings were approximately RMB3,480 million (31 December 2017: approximately RMB3,569 million), which carried annual effective interest rates of 4.7% to 12.0% (31 December 2017: annual interest rates of 4.7% to 15.0%).

Capital Expenditure

In 2018, capital expenditures amounted to approximately RMB246 million, an increase of RMB118 million from RMB128 million in 2017, which was mainly due to the addition of construction in progress and the property purchased for office use.

Capital Commitment

The Group had a significant capital commitment of RMB235 million as of 31 December 2018.

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.

REPORT OF THE BOARD OF DIRECTORS

The Board hereby presents this report of the Board of Directors, this annual report, and the audited consolidated financial statements of the Group for 2018, which have been prepared in accordance with the IFRSs, to the Shareholders.

CORPORATE INFORMATION AND INITIAL PUBLIC OFFERING

The Company is a joint stock company incorporated in the PRC with limited liability on 7 April 2017. The H Shares of the Company were listed on the Main Board of the Hong Kong Stock Exchange on 15 December 2017.

Basic information of the Company is set out in "Corporate Information" on page 4 to page 5 of this report.

BUSINESS REVIEW

The Company is a leading non-state owned construction group in China, providing integrated solutions primarily for the construction contracting of buildings and infrastructure projects. Rooted in Hebei Province for 67 years, we are well-positioned to benefit from the coordinated development of the Beijing-Tianjin-Hebei Region, a national strategy of China.

We are principally engaged in the following businesses:

- **Construction contracting business**. The Group provides construction contracting services mainly as a general contractor for building construction projects and infrastructure construction projects.

- **Other businesses**. The Group also engages in property development, service concession arrangements and other businesses.

The discussion and analysis of the Group's results and performance, major factors affecting the results and financial condition during the year, and future development are set out in "Business Overview" on page 8 to page 19, "Management Discussion and Analysis" on page 20 to page 25, this "Report of the Board of Directors" and "Significant Events" on page 53 to page 55 of this report.

Details of major subsidiaries of the Company are set out in note 1 to the financial statements.

ENVIRONMENTAL POLICY AND PERFORMANCE OF THE COMPANY

The Group has established and implemented an environmental compliance system to specify various environmental protection procedures and measures and ensure the Group's compliance with international standards and the relevant PRC laws and regulations. The Group has adopted corresponding environmental protection measures to ensure compliance with relevant laws and regulations, including noise control, air pollution control, as well as solid waste and waste water treatment.

In 2018, the Company attached great importance to environmental protection and always born in mind the social responsibilities of enterprises. In strict compliance with the national and industrial environmental protection laws and regulations and standards, the Company continuously strengthened the environmental management of construction projects in the lifecycle from design to procurement, construction, acceptance, delivery and utilization in line with the environmental management system established by GB/T 24001-2016 idt ISO14001:2015. Meanwhile, according to the ADLI model of excellent performance, it identified and evaluated environmental risk factors, formulated targeted measures to control them and specified responsible departments, personnel and emergency plans to minimize environmental risks and ensure the effective operation and continuous improvement of the environmental management system. Therefore, compliance indicators with local environmental protection laws and regulations achieved 100% with no major environmental protection incidents or major public disturbance and nuisance complaints surrounding the construction area.

The Company set up a green construction guarantee system with equal attention given to early planning and process control. It fully implemented green construction and new technologies for energy conservation and emission reduction, organized the preparation of a special plan for green construction to clarify the target index of "Four Conservations and One Protection (四節一環保)", and strengthened the control of pollutants such as construction dust, noise, wastewater, waste, domestic garbage, transportation spillage and light pollution, especially the "six one-hundred-percent (六個百分百)" standard for dust control on construction sites. Before the commencement (resumption) of the project, the amount of water and electricity will be budgeted and a reduction plan will be drawn up. Measures such as solar energy, rain/sewage recovery, recycling and standardized tool facilities will be taken to save energy and reduce consumption. Regular statistical analysis and comparison of the consumption of "water and electricity" and other energy resources will be carried out, and dynamic rectification will be made. Efforts will be made to build environmentally friendly and resource-saving green civilized and standardized construction sites, so as to construct green, clean, low-carbon and environment-friendly energy-saving buildings for customers.

In 2018, four projects of the Company were enrolled in the second batch of "Green Construction Demonstrative Project" in Hebei Province in 2018. At the same time, four projects passed the mid-term review and acceptance of the "Green Construction Demonstrative Project" in Hebei Province. The Company won several honors for in welcoming the competent department in charge of green construction, especially dust inspection during construction. The No. 8 Branch was awarded RMB60,000 as environmental protection funds from Beijing Economic Development Zone, and the Country Garden Project in Xiliu Lake of Zhengzhou of Shijiazhuang Branch was awarded the title of "Advanced Unit" in dust control by the High-tech Zone for three times.

Further details of the environmental policy and performance of the Company are set out in the Environmental, Social and Governance Report on page 80 to page 147.

COMPLIANCE WITH LAWS AND REGULATIONS

As a joint stock limited liability company established in the PRC with H Shares listed on the Hong Kong Stock Exchange, the Company is governed by the Company Law and other relevant domestic laws and regulations, the Listing Rules and the Securities and Futures Ordinance. The Company mainly conducts business in China and all of its operations are subject to the applicable PRC laws, administrative regulations, departmental regulations and other regulatory documents. The Company is principally under the supervision of the MOHURD, the NDRC, the MOFCOM, the Ministry of Emergency Management, the Ministry of Ecology and Environment and the local administrative authorities for environmental protection and is required to follow the regulations promulgated by such authorities in relation to qualifications for construction contracting and construction design, bids, property development, production safety, supervision of the quality and inspection and acceptance, environmental protection and labor and personnel.

The Group strictly abides by the following laws and regulations:

The Labor Law of the People's Republic of China, the Labor Contract Law of the People's Republic of China, Regulation on the Implementation of the Employment Contract Law of the People's Republic of China, the Labor Dispute Mediation and Arbitration Law of the People's Republic of China, the Social Insurance Law of the People's Republic of China, Law of the People's Republic of China on the Prevention and Control of Occupational Diseases, the Implementing Measures for Having Interviews for the Work Safety Purpose (for Trial Implementation), the Administrative Measures for the Identification and Investigation of and Punishment Against Illegal Acts During Award and Undertaking of the Construction Contracts for Construction Projects, Administrative Measures for Construction Permits of Construction Projects, Regulations of Hebei Province on Water Pollution Prevention, Audit Law of the People's Republic of China, Accounting Standards for Business Enterprises-Basic Standards, Implementing Regulations of the Audit Law of the People's Republic of China, Supervision Law of the People's Republic of China, Criminal Law of the People's Republic of China, Contract Law of the People's Republic of China, Civil Procedure Law of the People's Republic of China, Environmental Protection Law of the People's Republic of China, General Rules of the Civil Law of the People's Republic of China, the Construction Law of the People's Republic of China, Bid Invitation and Bidding Law of the People's Republic of China, the Accounting Law of the People's Republic of China, Law of the People's Republic of China on Certified Public Accountants, the Budget Law of the People's Republic of China, Law of the People's Republic of China on Enterprise Income Tax, the Individual Income Tax Law of the People's Republic of China, Administrative Measures for the Takeover of Listed Companies, the Enterprise Bankruptcy Law of the People's Republic of China, Company Law of the People's Republic of China, Trademark Law of the People's Republic of China and Labor Union Law of the People's Republic of China.

The Group has implemented internal control to ensure the compliance with such laws and regulations. Having reviewed the Group's business, the Board is of the view that the Group is in compliance with the requirements of relevant laws and regulations in material respects.

USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING

The Company was listed on the Main Board of the Hong Kong Stock Exchange since 15 December 2017. The net proceeds received by the Company from the initial public offering of new Shares for the Listing on the Stock Exchange and the issue of new Shares pursuant to the partial exercise of the Over-allotment Option (as defined in the Prospectus) were approximately HK$1,971.8 million (net of Stock Exchange trading fee, SFC transaction levy, share registration fee and fees charged by the receiving banks). The Company intends to use such proceeds for the proposed purposes set out in "Future Plans and Use of Proceeds" in the Prospectus of the Company dated 5 December 2017.

As of the end of the Reporting Period, the use of net proceeds from the Global Offering of the Company is set out below:

The use of net proceeds set out in the Prospectus	**Original allocation of net proceeds**		**Amount of net proceeds used as of 31 December 2018**		**Remaining net proceeds as of 31 December 2018**	
	Approximate amount (RMB million)	*Approximate percentage (%)*	*Approximate amount (RMB million)*	*Approximate percentage (%)*	*Approximate amount (RMB million)*	*Approximate percentage (%)*
Proceeds used to undertake the construction of certain construction contracting projects remaining to be completed	630.98	40	624.35	39.58	6.63	0.42
To fund equity investment commitments of the Group under existing and future PPP projects	630.98	40	0	0	630.98	40
To repay the principal of and interest on the Group's loans on or before their respective maturity dates	157.74	10	144.00	9.13	13.74	0.87
General corporate purposes	157.74	10	155.52	9.86	2.22	0.14
Total*	**1,577.44**	**100.00**	**923.87**	**58.57**	**653.57**	**41.43**

* The inconsistency between the sum of the numbers in this table and the total figures is due to rounding.

* In preparing the above table, the exchange rate applied is RMB0.800 = HK$1.000, and the amount of RMB is calculated according to such exchange rate. As a result, the difference between the net value of the remaining funds in the above table and the actual amount of funds in the retained account is due to the difference between the controlling exchange rate and the actual exchange rate.

The Company confirmed that, during the Reporting Period, the aforementioned use of raised funds was in line with the use of the proceeds disclosed in the Prospectus.

Domestically, the Company strictly controlled the raised funds according to the instructions of policy documents of the SAFE and the use of proceeds described in the Prospectus. As of 31 December 2018, the total amount of recycling funds was HK$1,380.30 million, the accumulative settlement of exchange with the recycling funds was approximately HK$1,380.18 million, the proceeds from the settlement of exchange were approximately RMB1,126.12 million, and a total of approximately RMB923.87 million of the proceeds from the settlement of exchange were paid. Among them, approximately RMB624.35 million was used to undertake the construction of certain construction contracting projects; approximately RMB144.00 million was used to repay the principal of and interest on bank loans on or before the due date; and approximately RMB155.52 million was used for general corporate purposes. As of 31 December 2018, approximately HK$0.12 million of foreign exchange was retained inside Mainland China but had not been settled, and approximately RMB202.24 million of foreign exchange was settled to RMB but had not been paid.

Overseas, according to the requirements of the SAFE that "not less than 70% of the raised funds shall be recycled to Mainland China for settlement of foreign exchange", as of 31 December 2018, the Company's retained overseas raised funds accounted for about 30% of the total raised funds. The overseas retained funds were distributed as follows. (1) approximately HK$15.43 million was retained in the listing collection account opened with the Bank of China Hong Kong Branch. (2) A total of HK$134.00 million was transferred into Industrial Bank Hong Kong Branch, and approximately RMB107.02 million was transferred into the proceeds from the settlement of foreign exchange in HK dollars. (3) A total of HK$189.30 million was transferred into China Merchants Bank Hong Kong Branch, and approximately RMB152.49 million was transferred into the proceeds from the settlement of foreign exchange in HK dollars. (4) A total of HK$259.00 million was transferred into Bank of Communications Hong Kong Branch, and approximately RMB213.56 million was transferred into the proceeds from the settlement of foreign exchange in HK dollars. After the settlement of foreign exchange, the balance was approximately HK$0.32 million. (5) A total of HK$0.15 million was transferred into Wing Lung Bank, Limited.

Save as used above, as of 31 December 2018, the remaining funds of the Company's proceeds were approximately HK$16.02 million, and RMB675.31 million had not been used, which was deposited in a special account opened by the Company in the bank.

References are made to the circular dated 14 January 2019 of 2019 first extraordinary general meeting of the Company and the announcement dated 25 February 2019 of poll results of 2019 first extraordinary general meeting of the Company. On 25 February 2019, the proposal on change in use of net proceeds from the Global Offering was considered and approved at the 2019 first extraordinary general meeting of the Company, including (1) the equity investment amount initially to be used under the Group's existing and future PPP projects be adjusted to be used to fund the Group's existing and future equity investment; (2) certain net proceeds initially to be used to fund the Group's equity investment commitments under existing and future PPP projects (approximately RMB157.70 million) be allocated to be used for general corporate purposes of the Group, including but not limited to payment of office rent, maintenance costs, employee costs, professional expenses and other expenses in the daily operation of the Company. Save as above, there are no other changes in the use of net proceeds from the Global Offering of the Company.

The Company will gradually put the abovementioned net proceeds into use according to development strategy, market condition and the revised utilization plan. The Company expects that the remaining unused proceeds will be fully used by 31 December 2020. Set out below is the revised proceeds utilization plan of the Company, including the net proceeds used as of the Latest Practicable Date:

Use of net proceeds upon the change	Amount of net proceeds used as of the Latest Practicable Date		Planned amount of net proceeds used as of 31 December 2020	
	Approximate amount (RMB million)	*Approximate percentage (%)*	*Approximate amount (RMB million)*	*Approximate percentage (%)*
Proceeds used to undertake the construction of certain construction contracting projects remaining to be completed	624.35	39.58	6.63	0.42
To fund the Group's existing and future equity investment commitments	213.17	13.51	260.06	16.49
To repay the principal of and interest on the Group's loans on or before their respective maturity dates	144.00	9.13	13.74	0.87
General corporate purposes	155.77	9.87	159.72	10.13
Total*	**1,137.29**	**72.09**	**440.15**	**27.91**

* The inconsistency between the sum of the numbers in this table and the total figures is due to rounding.

* In preparing the above table, the exchange rate applied is RMB0.800 = HK$1.000, and the amount of RMB is calculated according to such exchange rate. As a result, the difference between the net value of the remaining funds in the above table and the actual amount of funds in the retained account is due to the difference between the controlling exchange rate and the actual exchange rate.

RESULTS AND DISTRIBUTIONS

The results of the Group for the year ended 31 December 2018 are set out in the audited Consolidated Statement of Profit or Loss and the audited Consolidated Statement of Comprehensive Income on pages 176 to 177 of this report. The financial condition of the Group as of 31 December 2018 is set out in the audited Consolidated Statement of Financial Position on pages 178 to 179 of this report.

In accordance with the Profit Distribution Proposal for 2017 considered and approved by the Shareholders at the 2017 annual general meeting of the Company held on 25 June 2018, given the actual circumstances and the long-term sustainable development needs of the Company and based on Shareholders' long-term interests, the Company did not declare final dividend to its Shareholders for the year ended 31 December 2017. For details, please refer to the Company's circular dated 11 May 2018 and the announcement dated 25 June 2018 published on the website of the Hong Kong Stock Exchange.

PROPOSAL AND POLICY FOR THE DISTRIBUTION OF THE FINAL DIVIDEND

Final Dividend

Based on the 2018 financial report of the Company, the accumulative distributable reserve of the Company as of 31 December 2018 was RMB1,617,677,186.15. Given the actual condition of the Company and Shareholders' return, the Company proposed to distribute cash dividends out of the approximately 33% of the accumulative distributable reserve as of 31 December 2018 to Shareholders, totalling RMB528,415,050.00. The Board proposes to distribute 2018 final dividend of RMB0.30 per share (tax inclusive) in cash to its domestic Shareholders and H Shareholders whose names appear on the register of members on Thursday, 4 July 2019 based on total share capital of the Company as of 31 December 2018 of 1,761,383,500 shares. The 2018 final dividend will be denominated and declared in Renminbi, in particular, domestic Shareholders will be paid in Renminbi while H Shareholders will be paid in HK dollars. The exchange rate for HK dollars will be calculated in accordance with the average central parity rate as announced by the PBOC three business days before the day the dividend distribution announcement is made (inclusive of the day of the dividend distribution announcement). It is expected that the final dividend will be distributed on Thursday, 8 August 2019. The above profit distribution proposal is subject to approval at the 2018 annual general meeting of the Company.

Details on closure of register of members due to dividend distribution are set out in "Significant Events" on page 53.

Dividend Policy

The Company adopted the dividend policy on 25 March 2019. According to the dividend policy, the Company's dividend distribution plan is formulated by the Directors and subject to consideration and approval by the general meeting. After taking into account the financial position of the Company and in accordance with relevant requirements of relevant laws and regulations, the Board may submit to the general meeting to authorize the Board to distribute and pay dividends by way of a ordinary resolution.

The Board will determine whether to declare and pay dividends based on the following factors, including but not limited to: operating results, cash flow, financial position, Shareholders' equity, overall business conditions and strategies, capital requirements, and cash dividends paid to the Company by subsidiaries and other factors that the Board may consider relevant.

FINAL DIVIDEND INCOME TAX APPLICABLE TO OVERSEAS SHAREHOLDERS

Withholding and Payment of EIT on behalf of Overseas Non-Resident Enterprise Shareholders

Pursuant to the applicable provisions of the EIT Law of the PRC (《中華人民共和國企業所得稅法》) and its implementing rules and the requirements under the Circular on Issues Relating to the Withholding of EIT by PRC Resident Enterprises on Dividends Paid to Overseas Non-PRC Resident Enterprise Shareholders of H Shares (Guo Shui Han [2008] No. 897) (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》(國稅函[2008]897號)) issued by the SAT, the Company will withhold and pay EIT at the rate of 10% when it distributes the final dividend to overseas non-resident enterprise Shareholders of H Shares (including any H Shares of the Company registered in the name of HKSCC Nominees Limited, but excluding any H Shares of the Company registered in the name of HKSCC Nominees Limited which are held by China Securities Depository and Clearing Corporation Limited as nominee Shareholder on behalf of investors who invest in the H Shares of the Company through Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect).

Withholding and Payment of Individual Income Tax on behalf of Overseas Individual Shareholders

Pursuant to the applicable provisions of the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》) and its implementing rules, the Notice of the State Administration of Taxation on Issues Concerning the Administration of Individual Income Tax Collection after the Annulment of Document Guo Shui Fa [1993] No. 045 (Guo Shui Han [2011] No. 348) (《國家稅務總局關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》(國稅函[2011]348號)) (the "**Tax Notice**") and other relevant laws, regulations and requirements under normative documents, the Company will implement the following arrangements in relation to the withholding and payment of individual income tax on behalf of the overseas individual H Shareholders:

- For individual H Shareholders who are Hong Kong or Macau residents or whose country (region) of domicile is a country (region) which has entered into a tax treaty with the PRC stipulating a tax rate of 10%, the Company will withhold and pay individual income tax at the rate of 10% on behalf of these individual H Shareholders in the distribution of the final dividend;

- For individual H Shareholders whose country (region) of domicile is a country (region) which has entered into a tax treaty with the PRC stipulating a tax rate of less than 10%, the Company will temporarily withhold and pay individual income tax at the rate of 10% on behalf of these individual H Shareholders in the distribution of the final dividend. If relevant individual H Shareholders would like to apply for a refund of the excess amount of tax withheld and paid, the Company will handle, on their behalf, the applications for tax preferential treatments under relevant tax treaties according to the Tax Notice. Qualified Shareholders please submit in time a letter of entrustment and all application materials as required under the Tax Notice to the Company's H Share Registrar in Hong Kong, Tricor Investor Services Limited. The Company will then submit the above documents to the competent tax authorities and, after their examination and if and when approved, the Company will assist in refunding the excess amount of tax withheld and paid;

- For individual H Shareholders whose country (region) of domicile is a country (region) which has entered into a tax treaty with the PRC stipulating a tax rate of more than 10% but less than 20%, the Company will withhold and pay individual income tax at the effective tax rate stipulated in the relevant tax treaty on behalf of these individual H Shareholders in the distribution of the final dividend; and

- For individual H Shareholders whose country (region) of domicile is a country (region) which has entered into a tax treaty with the PRC stipulating a tax rate of 20%, or a country (region) which has not entered into any tax treaties with the PRC, or under any other circumstances, the Company will withhold and pay individual income tax at the rate of 20% on behalf of these individual H Shareholders in the distribution of the final dividend.

SHARE CAPITAL IN ISSUE

As of 31 December 2018, the total share capital of the Company was RMB1,761,383,500, divided into 1,761,383,500 Shares with a nominal value of RMB1.00 each. Details of the movement of the share capital of the Company during the Reporting Period are set out in note 35 to the financial statements.

REPURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the Reporting Period, the Company and the Group did not repurchase, sale or redeem any of the Company's listed securities.

PROPERTY, PLANT AND EQUIPMENT

Details of property, plant and equipment of the Group for 2018 are set out in note 16 to the financial statements.

TAXATION

Details of the taxation of the Group for 2018 are set out in note 11 to the financial statements and notes.

EVENTS AFTER THE BALANCE SHEET DATE

Details of the events after the balance sheet date of the Group are set out in note 47 to the financial statements.

CAPITAL RESERVE, SURPLUS RESERVE AND SPECIAL RESERVE

Details of capital reserve, surplus reserve and special reserve of the Group for 2018 are set out in note 36 to the financial statements.

DISTRIBUTABLE RESERVES

As of 31 December 2018, the distributable reserves (undistributed profits) of the Company amounted to RMB1,617 million.

Article 202 of the Articles of Association requires that, "the Company shall prepare its financial statements in accordance with the PRC accounting standards and regulations as well as the international accounting standards or the accounting standards of the place where the Company's shares are listed overseas. In case of any material difference between the financial statements respectively in accordance with the two accounting standards, explanations shall be made in the notes to the financial statements. Distribution of the profit after tax for the relevant fiscal year shall be based on the lesser of the profit after tax as shown in the two sets of financial statements."

There is no significant difference between the net assets as at the end of 2018 calculated by the Group based on the PRC accounting standards and the IFRS. Details of distributable reserves of the Company as at 31 December 2018 are set out in note 48 to the financial statements.

The Board proposed to allocate 10% of the profit after tax to the statutory surplus reserve in accordance with the Company Law and the Articles of Association, without withdrawing from the discretionary common reserve.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2018, total sales to the five largest customers of the Company accounted for approximately 6.2% of the total revenue for the year, while the total sales to the largest customer accounted for approximately 1.8% of the total revenue for the year.

For the year ended 31 December 2018, the total purchase from the five largest suppliers of the Company accounted for approximately 10.0% of the cost of sales for the year, while the total purchase from the largest supplier accounted for approximately 8.8% of the cost of sales for the year.

During 2018, none of the Directors, their close associates or, to the knowledge of the Directors, any Shareholders of the Company holding more than 5% of the issued share capital of the Company had any interest in any of the five largest customers or suppliers of the Group.

The construction contracting customers of the Group mainly include universities, hospitals, civil aviation authorities, other government agencies and public institutions, state-owned enterprises and large property development companies in the PRC. The Group has been able to establish long-term and stable relationships with customers by leveraging the track record of providing high-quality, timely and safe construction contracting services. Most of the large customers have cooperated with the Group for multiple times, and the Group's longest cooperation with existing customers has been over 30 years. As of the end of the Reporting Period, the Group had over 600 customers to whom it has provided services in two or more projects. The Group will continue to designate members of senior and mid-level management maintain relationships with major clients by conducting periodic visits to collect their feedback, understand their needs and learn about their new projects. The Group typically wins contracts for the construction services through bidding and tender procedures.

The customers of the Group's property development business are mainly individuals who are purchasing residential or commercial properties. The Group conducts sales and marketing activities primarily through its own sales teams and sales agents. The Group's primary sales promotion methods are Internet advertisements, print materials, indoor exhibitions, outdoor advertisements and proactive engagement with target customers. Customers are given the option to pay the purchase price for property as a lump sum or to finance their purchase through a mortgage. In line with market practice, the Group makes arrangements with various banks to provide mortgage loans to customers, and provides guarantees for customers' mortgage loans.

The Group's procurement of raw materials and leasing of equipment and machinery are typically conducted either through a bidding process or directly from suppliers selected from a list of qualified suppliers. Since April 2016, the majority of such biddings have been conducted through Yuncai Network, a business-to-business online procurement platform developed, operated and owned by the Group. In addition, the Group's membership in the China Construction Industry Association also offers it access to a broader range of suppliers.

During the Reporting Period, the Group maintained good cooperation with major customers and suppliers. The Group kept close connection with customers and suppliers, and established a wide range of channels, including telephone, email and physical meeting to communicate with them on an ongoing basis, so as to obtain their feedbacks and suggestions.

EMPLOYEES

Employees are the key to the Group's sustainable development. For details of the Group's employees, please refer to "Directors, Supervisors, Senior Management and Employees – Staff Information" on page 148 to page 168.

BANK LOANS AND OTHER BORROWINGS

Details of bank loans and other borrowings of the Group as at 31 December 2018 are set out in note 34 to the financial statements.

ENTRUSTED DEPOSITS AND OVERDUE TIME DEPOSITS

As of 31 December 2018, the Group had neither entrusted deposits in financial institutions in the PRC nor had it failed to collect any time deposits upon maturity.

EXTERNAL DONATION

In 2018, the Company donated a total of RMB5 million to local charities and governments of impoverished counties.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Set out below are details of the Directors, Supervisors and senior management of the Company during the year of 2018 and as of the Latest Practicable Date:

Name	Position in the Company	Date of Appointment
Directors, Supervisors and senior management currently in office		
Directors		
Executive Directors		
Mr. Li Baozhong	Chairman and executive Director	25 October 2010
Mr. Shang Jinfeng	Executive Director and president	31 March 2017
Mr. Liu Yongjian	Executive Director and vice president	20 December 2013
Mr. Zhao Wensheng	Executive Director, chief accountant and director of finance	25 February 2019
Non-executive Directors		
Mr. Li Baoyuan	Honorary chairman and non-executive Director	26 October 1997
Mr. Cao Qingshe	Vice chairman and non-executive Director	25 October 2010
Independent Non-executive Directors		
Mr. Xiao Xuwen	Independent non-executive Director	15 December 2017
Ms. Shen Lifeng	Independent non-executive Director	15 December 2017
Ms. Chen Xin	Independent non-executive Director	15 December 2017
Mr. Chan Ngai Sang Kenny	Independent non-executive Director	15 December 2017
Supervisors		
Mr. Yu Xuefeng	Chairman of the Board of Supervisors and Shareholder Supervisor	25 June 2018
Mr. Liu Jingqiao	Employee Supervisor	31 March 2017
Ms. Feng Xiujian	Shareholder Supervisor	23 January 2013
Mr. Yue Jianming	Employee Supervisor	31 March 2017
Mr. Wang Feng	Shareholder Supervisor	31 March 2017

Name	Position in the Company	Date of Appointment
Senior Management		
Mr. Shang Jinfeng	Executive Director and president	31 March 2017
Mr. Liu Yongjian	Executive Director and vice president	17 January 2008
Mr. Gao Qiuli	Vice president and chief engineer	22 July 2001
Mr. Zhao Wensheng	Executive Director, chief accountant and director of finance	23 January 2013
Mr. Zhang Wenzhong	Chief economic officer	8 January 2019
Mr. Li Wutie	Board secretary and assistant to president	31 March 2017

Name	Position in the Company	Tenure
Resigned Directors, Supervisors and senior management		
Ms. Liu Shuzhen	Former executive Director, vice president and chief economic officer	20 December 2013 to 8 January 2019
Mr. Mao Yuanli	Former chairman of the Board of Supervisors and Shareholder Supervisor	31 March 2017 to 25 June 2018

CHANGE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

During the Reporting Period, Mr. Mao Yuanli resigned as a Supervisor of the first session of the Board of Supervisors and the chairman of the Board of Supervisors of the Company due to reaching his retirement age, with effect from 25 June 2018. Mr. Yu Xuefeng was elected as a Supervisor of the first session of the Board of Supervisors of the Company at the 2017 annual general meeting held on 25 June 2018 and was elected by the Board of Supervisors as the chairman of the Board of Supervisors. The term of office of Mr. Yu Xuefeng commenced on 25 June 2018 and will end on the expiration of this session of Board of Supervisors. For details, see the circular dated 11 May 2018 and the announcement dated 25 June 2018 of the Company.

During the Reporting Period, Ms. Liu Shuzhen resigned as an executive Director of the first session of the Board, a vice president and the chief economic officer of the Company due to reaching her retirement age, with effect from 8 January 2019. Mr. Zhao Wensheng was elected as the executive Director of the first session of the Board of the Company at the 2019 first extraordinary general meeting held on 25 February 2019. The term of office of Mr. Zhao Wensheng commenced on 25 February 2019 and will end on the expiration of this session of Board. For details, see the circular dated 14 January 2019 and the announcement dated 25 February 2019 of the Company.

During the Reporting Period, Mr. Zhang Wenzhong was elected as the chief economic officer of the Company at the 35th meeting of the first session of the Board held on 8 January 2019.

Save as disclosed above, as of the Latest Practicable Date, there was no other change of Directors, Supervisors and senior management.

BIOGRAPHIES OF THE DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Biographies of the Directors, Supervisors and senior management of the Company are set out on page 152 to page 166 of this report.

SERVICE CONTRACTS OF THE DIRECTORS AND SUPERVISORS

Each of the Directors and Supervisors has entered into a service contract with the Company. The principal particulars of these service contracts: (1) include the term of appointment, which commences from the date of appointment and ends on the date of expiry of the current session of the Board/Board of Supervisors; and (2) are subject to termination in accordance with the respective terms.

Save as disclosed above, none of the Directors or Supervisors has or is proposed to enter into a service contract with any members of the Group (other than contracts expiring or determinable by the employer within one year without the payment of compensation other than statutory compensation).

REMUNERATION OF THE DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The Directors and Supervisors of the Company receive compensation in the form of fees, salaries, pension scheme contributions, discretionary bonus, housing and other allowances and benefits in kind.

Details of the Directors and the five highest paid individuals of the Group are set out in note 9 and note 10 to the financial statements.

During the Reporting Period, the remuneration of the senior management (except for Ms. Wong Wai Ling, one of the joint company secretaries of the Company who serves as the vice president of SWCS Corporate Services Group (Hong Kong) Limited). whose biographies are included in "Biographies of the Directors, Supervisors and Senior Management" in this report is disclosed in the corporate governance report herein.

INTERESTS OF DIRECTORS AND SUPERVISORS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

During the Reporting Period, the Group has not directly or indirectly entered into any major transactions, arrangements or contracts relating to the business of the Company, in which the Directors, Supervisors or any of their connected entities have material interests, which still remain valid during or by the end of the year.

INTERESTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT IN COMPETING BUSINESSES

During the Reporting Period, none of the Directors, Supervisors or their associates had any interests in any business which competes or is likely to compete directly or indirectly with the business of the Group or had any other conflicts of interest with the Group.

During the Reporting Period, none of the senior management of the Company or their associates had any interests in any business which competes or is likely to compete directly or indirectly with the business of the Group or had any other conflicts of interest with the Group.

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

As of 31 December 2018, save as disclosed in "Directors, Supervisors, Senior Management and Employees" in this report, none of the Directors, Supervisors and Chief Executives of the Company had any interests and/or short positions in Shares, underlying Shares and debentures of the Company or its associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he has taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out under Appendix 10 to the Listing Rules ("**Model Code**") to be notified to the Company and the Hong Kong Stock Exchange.

RIGHTS OF DIRECTORS AND SUPERVISORS TO ACQUIRE SHARES OR DEBENTURES

None of the Directors and Supervisors or their respective associates were granted by the Company or its subsidiaries any right to acquire shares or debentures of the Company or any other body corporate, or had exercised any such rights.

FINANCIAL, BUSINESS AND FAMILY RELATIONSHIP AMONG DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT MEMBERS

As of the Latest Practicable Date, Mr. Li Baozhong, a Director, and Mr. Li Baoyuan, a Director, are brothers. Mr. Li Baoyuan is the father of Mr. Li Wutie, who is a senior management member. Save for disclosed above, there are no financial, business or family relationships among the Directors, Supervisors and senior management members of the Company.

INSURANCE OF DIRECTORS

As of the Latest Practicable Date, the Company maintained valid directors insurance for its Directors.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2018.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements were entered into by the Group, or existed during the year ended 31 December 2018.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES

For details of shareholding of substantial Shareholders in the Company, please refer to "Changes in Share Capital and Information of Shareholders – Interests and Short positions of Substantial Shareholders in the Shares and Underlying Shares of the Company" on page 56 to page 61.

PRE-EMPTIVE RIGHT AND SHARE OPTION ARRANGEMENTS

During 2018, the Company had no pre-emptive right and share option arrangements. There are no specific provisions under the PRC laws or the Articles of Association of the Company in relation to pre-emptive rights.

PERMITTED INDEMNITY PROVISIONS

As of 31 December 2018, no directors were benefited from any effective permitted indemnity provisions.

TAX REDUCTION

Directors were not aware of any tax reduction enjoyed by Shareholders holding the securities of the Company.

COMPLIANCE WITH THE NON-COMPETITION UNDERTAKINGS BY THE CONTROLLING SHAREHOLDERS

The Company received the confirmation letters from Mr. Li Baoyuan, Zhongru Investment and Qianbao Investment, confirming that, in 2018, Mr. Li Baoyuan, Zhongru Investment and Qianbao Investment have fully complied with all undertakings given by them in favor of the Company under the non-competition undertakings.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the knowledge of the Directors of the Company, as of the Latest Practicable Date, public Shareholders held not less than 26.2% of the Shares in issue of the Company, which was in compliance with the public float requirements under rules 8.08(1)(a) and (b) of the Hong Kong Listing Rules.

NON-EXEMPT CONTINUING CONNECTED TRANSACTION

During the Reporting Period, the following continuing connected transaction was entered into on normal commercial terms. Pursuant to Chapter 14A of the Listing Rules, it is subject to the reporting, annual review, announcement and independent Shareholders' approval (as the case may be) requirements under Chapter 14A of the Listing Rules.

Labor Subcontract Framework Agreement

The Company entered into a labor subcontract framework agreement with Baoding Tianli on 23 November 2017 (the "**Labor Subcontract Framework Agreement**"), pursuant to which Baoding Tianli provides labor subcontract services to the Group in the ordinary course of business, including but not limited to contracting for building construction projects and infrastructure construction projects, for which Baoding Tianli charges the Group subcontract fees (including subcontract service fees, labor wages and social insurance expenses, taxation, auxiliary materials and tools costs, and other fees).

The principal terms of the Labor Subcontract Framework Agreement include: (1) the pricing policy (see below); (2) relevant subsidiaries or associated companies of both parties will enter into separate underlying agreements which will set out the specific terms and conditions according to the principles provided in the Labor Subcontract Framework Agreement; and (3) the Labor Subcontract Framework Agreement is valid for a term of three years from the Listing Date and can be renewed for another three years upon its expiry as agreed by relevant parties to the agreement.

In accordance with the Labor Subcontract Framework Agreement, the total subcontract fee paid by the Group to Baoding Tianli is determined based on the following pricing policy: when the Group subcontracts labor supply for the construction projects, public bidding procedures will be applied. Prior to the bidding procedures, the Group will publish announcements on its bidding invitation on public websites. There must be at least three bidders who are Independent Third Parties attending the bidding procedures, otherwise the bidding will be canceled. The review panel for any bidding will consist of experts selected by the Group as well as the project manager, and the comparable quoted bidding prices (including subcontract service fees, labor wages and social insurance expenses, taxation, auxiliary materials and tools costs, and other fees) is an important, but not the only, factor to be considered. The review panel will also take into consideration factors including, but not limited to, the bidder's sufficient licenses and qualifications, business scale and capacities and its historical results, as well as make reference to prevailing market terms and prices. The bidder with the highest score comprehensively determined by the review panel wins, and the bidding price offered by the bidder will be implemented. Therefore, only in the event that Baoding Tianli wins the bidding with the highest score determined by the review panel, the Group will enter into business agreements with Baoding Tianli under the Labor Subcontract Framework Agreement.

Application has been made by the Company to the Stock Exchange for the waiver from compliance with the announcement and independent Directors' approval requirements under Chapter 14A of the Listing Rules in relation to the above connected transaction, with the condition that the total transaction amount of the non-exempt continuing connected transaction for each of 2017, 2018 and 2019 shall not exceed the annual caps set out in the Prospectus; the Stock Exchange has granted the above waiver.

During the Reporting Period, the waiver approved by the Stock Exchange for the total subcontract fees of the connected transaction was capped at RMB4,000 million for 2018. The actual total transaction amount under the above agreement between the Group and Baoding Tianli was RMB3,871 million for 2018.

Confirmation by Independent Non-executive Directors

The independent non-executive Directors of the Company have reviewed the above continuing connected transaction and confirmed that the transaction was conducted in the ordinary course of business of the Group and on normal commercial terms or better, or where there were no sufficient comparable transactions to judge whether they are on normal commercial terms, on terms to the Company no less favorable than term available to or from (as appropriate) Independent Third Parties, and the transaction was conducted in accordance with the relevant agreement governing the transactions, on fair and reasonable terms and in the interests of the Shareholders of the Company as a whole.

Auditor's Letter

Pursuant to Rule 14A.56 of the Listing Rules, the Company has appointed Ernst & Young ("**EY**") as the auditor to report on the continuing connected transactions of the Group in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. Based on the works performed, EY has issued the letter to the Board confirming that, in respect of the continuing connected transaction disclosed above:

(a) nothing has come to EY's attention that causes it to believe that the disclosed continuing connected transaction has not been approved by the Board;

(b) for transactions involving the provision of products and service by the Group, nothing has come to EY's attention that causes it to believe that the transaction was not, in all material respects, conducted in accordance with the pricing policies of the Group;

(c) nothing has come to EY's attention that causes it to believe that the transaction was not entered into, in all material respects, in accordance with the relevant agreements governing such transactions;

(d) in connection with the total amount of the continuing connected transaction disclosed above, nothing has come to EY's attention that causes it to believe that such continuing connected transaction has exceeded the annual cap set by the Company.

Save as disclosed above, the Company and its connected parties did not enter into any other non-exempt connected transactions during the Reporting Period.

RELATED PARTY TRANSACTIONS

During the Reporting Period, the Group entered into certain transactions with parties regarded as "related parties" under the applicable accounting standards. Details of related party transactions entered into by the Group during the Reporting Period are set out in note 43 to the financial statements. Save as disclosed in the "Report of the Board of Directors-Connected Transactions" of this report, the related party transactions as disclosed in note 43 do not constitute connected transactions or are exempt from the reporting, announcement and shareholders' approval requirements under the Listing Rules.

Ernst & Young has audited the 2018 annual financial report of the Group and issued a standard unqualified auditor report, indicating that the 2018 annual financial report prepared by the Group has given a fair view of the financial position and operating results of the Group.

AUDIT COMMITTEE

The Audit Committee of the Board has reviewed the annual results and annual report of the Company for 2018 and the audited consolidated financial statements for the year ended 31 December 2018 prepared under the IFRSs.

ACCOUNTING POLICY

The critical accounting policies adopted by the Company in the preparation of the audited consolidated financial statements for 2018 are the same as those adopted for the audited consolidated financial statements for the year ended 31 December 2017, except for IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from contract with customers*, set out in note 3 to the Financial Statements and Notes.

AUDITOR

Zhongxingcai Guanghua Certified Public Accountant LLP was the auditor of the Company for the annual financial statements for 2016 under the CASBE.

In January 2017, the Board decided to appoint Ernst & Young as the reporting accountant for the Listing of the Company.

In November 2017, the Board decided to appoint Ernst & Young as the auditor of the Company for 2017 under the IFRSs and Ernst & Young Hua Ming LLP as the auditor of the Company for the audit of the annual financial report for 2017 under the CASBE. The proposed appointments were approved at the ninth extraordinary general meetings for 2017 of the Company and became effective.

In June 2018, upon consideration and approval at the 2017 annual general meeting of the Company, Ernst & Young was engaged as the auditor of the Company for 2018 under the IFRSs and Ernst & Young Hua Ming LLP as the auditor of the Company for the audit of the annual financial report for 2018 under the CASBE for a term commencing from the date of conclusion of the 2017 annual general meeting to the date of conclusion of the 2018 annual general meeting.

In March 2019, in view of the Company's proposed change to the adoption of only Chinese Enterprise Accounting Standards in preparing financial statements, the Board proposed not to re-appoint Ernst & Young as the overseas auditor of the Company for 2019 and proposed to re-appoint Ernst & Young Hua Ming LLP as the Company's domestic auditor for 2019. The above-mentioned auditor shall prepare the financial statements in accordance with the Chinese Accounting Standards and undertake the duties of the overseas auditors in accordance with the Listing Rules with a term ending upon the conclusion of the 2019 annual general meeting of the Company. At the same time, the Board submitted to the general meeting to grant authorization to the Board to further delegate such authority to the President, to determine the remuneration for the appointment of the above auditor. The above proposal is subject to consideration and approval by the Shareholders at the 2018 annual general meeting of the Company.

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

REPORT OF BOARD OF SUPERVISORS

In 2018, the Board of Supervisors of the Company adhered to the principle of good faith, diligently performed its supervisory duties and effectively safeguarded the legitimate rights and interests of the Company, the Shareholders and employees based on the principle of accountability to all Shareholders of the Company, in strict compliance with relevant rules and regulations such as the Company Law, the Articles of Association and the Rules of Procedure of the Board of Supervisors. The work report of the Board of Supervisors is as follows:

1. MEETINGS

On 26 March 2018, the third meeting of the first session of the Board of Supervisors was convened by the Board of Supervisors of the Company onsite at the headquarters of the Company. Of the five Supervisors entitled to attend the meeting, five Supervisors were present. The procedures for convening and holding the meeting were in compliance with the provisions of the Articles of Association and the Rules of Procedure of the Board of Supervisors. The proposals considered and approved at the meeting are as follows:

- Proposal on the 2017 Annual Report and Results Announcement of Hebei Construction Group Corporation Limited, Proposal on the 2017 Financial Report of Hebei Construction Group Corporation Limited, Proposal on the Work Report of the Board of Supervisors of Hebei Construction Group Corporation Limited for 2017, Proposal on 2017 Profit Distribution Plan of Hebei Construction Group Corporation Limited, Proposal on 2017 Annual remuneration of Supervisors of Hebei Construction Group Corporation Limited, Proposal on Re-election of Supervisors

On 25 June 2018, the fourth meeting of the first session of the Board of Supervisors was convened by the Board of Supervisors of the Company onsite at the headquarters of the Company. Of the five Supervisors entitled to attend the meeting, five Supervisors were present. The procedures for convening and holding the meeting were in compliance with the provisions of the Articles of Association and the Rules of Procedure of the Board of Supervisors. The proposal considered and approved at the meeting is as follows:

- Proposal on Election of the Chairman to the First Board of Supervisors of Hebei Construction Group Corporation Limited, pursuant to which, Mr. Yu Xuefeng was elected as the chairman of the first Board of Supervisors of the Company with the term of office the same as that of the members of the first Board of Supervisors.

On 28 August 2018, the fifth meeting of the first session of the Board of Supervisors was convened by the Board of Supervisors of the Company onsite at the headquarters of the Company. Of the five Supervisors were entitled to attend the meeting, five Supervisors were present. The procedures for convening and holding the meeting were in compliance with the provisions of the Articles of Association and the Rules of Procedure of the Board of Supervisors. The proposal considered and approved at the meeting is as follows:

- 2018 Interim Results Announcement of Hebei Construction Group Corporation Limited and 2018 Interim Report of Hebei Construction Group Corporation Limited

2. ATTENDANCE OF IMPORTANT MEETINGS

In 2018, the Supervisors attended two general meetings as required and were present at 12 Board meetings as non-voting delegates. By attending these important meetings, the Supervisors not only developed insights into the operation and management of the Company, but also actively participated in the consideration and discussion of resolutions and put forward their opinions and suggestions in a responsible manner, thus effectively supervised the procedures for convening these meetings and the discussion of proposals.

3. ROUTINE INSPECTIONS AND RESEARCHES

In 2018, the Board of Supervisors continually monitored the compliance of the Company's operation to ensure that the internal operation was in line with regulations and listing requirements.

4. INDEPENDENT OPINIONS AND SPECIAL EXPLANATIONS

(1) Having monitored the performance of duties of the Directors and senior management members of the Company and the legal compliance of the operation of the Company, the Board of Supervisors was of the view that the Board of the Company was able to make decisions according to the laws and in strict compliance with various requirements such as the Company Law and the Articles of Association and the major business decision-making procedures of the Company were lawful and valid; that the Company further optimized and improved various internal management systems and internal control mechanisms; that the Company disclosed significant information about the Company in a timely manner pursuant to the securities regulatory requirements such that the information disclosure was in compliance with regulations and the securities trading system for the informed parties of insider information was in place properly; that the Directors and senior management members were able to implement diligently and thoroughly relevant laws and regulations, the Articles of Association and the resolutions of the general meetings and the Board during the performance of the duties for the Company in a faithful, pioneering and ambitious manner; and that no Directors or senior management members of the Company were found to have violated the laws, regulations or the Articles of Association or harmed the interests of the Company and the rights and interests of the Shareholders when performing their duties.

(2) By communicating with the accounting firms in charge of the audit and review services for the Company, the Board of Supervisors examined the Company's financial statements, considered its periodic reports and the audit report of the accounting firm, regularly listened to the report of the internal audit department of the Company on the progress of internal audit work, and carried out effective supervision and inspection on the Company's financial management and operation through on-site inspection, research, etc. The Board of Supervisors was of the view that the Company had a sound financial system, regulated management practices and reasonable spending of fees during 2018. Ernst & Young has audited the 2018 annual financial report of the Group and issued a standard unqualified auditor report. It was of the view that the 2018 annual financial report prepared by the Group has given a fair view of the financial position and operating results of the Group.

(3) The Board of Supervisors monitored the utilization of the proceeds by the Company. It was of the view that, during the Reporting Period, the Company was able to manage and utilize the proceeds in accordance with national laws and regulations as well as the commitments made in the Prospectus. The use of proceeds from the Global Offering after change which was effective upon approval at the 2019 first extraordinary general meeting held on 25 February 2019 is in the best interests of the Company and all of its Shareholders. The Board of Supervisors will continue to oversee and inspect the utilization of the proceeds.

(4) The Board of Supervisors monitored the related party transactions and connected transaction conducted by the Company. It was of the view that such transactions were conducted in accordance with the Company Law, the Hong Kong Listing Rules as well as the Company's Articles of Association and the Rules Governing Related Party Transactions (《關聯交易管理制度》), and that the pricings of these related party transactions and connected transaction were fair, without violating the principles of openness, fairness and impartiality, and did not harm the interests of the Company and its minority Shareholders.

(5) The Board of Supervisors made a special explanation of the Company's internal control. It was of the view that in 2018, the internal control system of the Company underwent continuous enhancement, the evaluation of the internal control was effectively implemented and the internal control continued to improve as a whole, hence it was able to provide a reasonable assurance regarding the achievement of the internal control objective.

CONVENING THE 2018 ANNUAL GENERAL MEETING

The 2018 annual general meeting of the Company will be convened at 10:00 a.m. on Thursday, 20 June 2019 at No. 329 Wusixi Road, Baoding City, Hebei Province. The notice and circular of convening the 2018 annual general meeting will be despatched in due course.

CLOSURE OF REGISTER OF MEMBERS

The 2018 annual general meeting

In order to ascertain the entitlements of the Shareholders to attend the 2018 annual general meeting, the register of members of the Company will be closed from Tuesday, 21 May 2019 to Thursday, 20 June 2019 (both days inclusive), during which period no transfer of Shares of the Company will be effected. Shareholders whose names appear on the register of members of the Company on Thursday, 20 June 2019 will be eligible to attend the 2018 annual general meeting. To be eligible to attend and vote at the 2018 annual general meeting, all duly completed and signed share transfer documents together with relevant share certificates must be lodged with the Company's H Share Registrar in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration by holders of H Shares no later than 4:30 p.m. on Monday, 20 May 2019.

Final dividend

In order to ascertain the entitlements of the Shareholders to receive the proposed final dividend, the register of members of the Company will be closed from Saturday, 29 June 2019 to Thursday, 4 July 2019 (both days inclusive), during which period no transfer of Shares of the Company will be effected. To be eligible to receive the proposed final dividend, all duly completed and signed share transfer documents together with relevant share certificates must be lodged with the Company's H Share Registrar in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration by holders of H Shares no later than 4:30 p.m. on Friday, 28 June 2019.

Further details on the distribution of final dividend are set out in "Report of the Board of Directors" on page 26 to page 49.

MAJOR LITIGATION, ARBITRATION AND ISSUES GENERALLY QUESTIONED BY THE MEDIA

During the Reporting Period, the Group was not involved in any major litigation, arbitration and issues generally questioned by the media. The Directors were also not aware of any pending or potential significant litigations or claims.

MISAPPROPRIATION OF FUNDS AND SETTLEMENT PROGRESS DURING THE REPORTING PERIOD

During the Reporting Period, the Company was not involved in any misappropriation of funds and settlement progress.

BANKRUPTCY AND RESTRUCTURING

During the Reporting Period, the Company did not engage in any bankruptcy and restructuring.

MAJOR TRANSACTIONS OF ASSETS AND MERGERS OF ENTERPRISES

During the Reporting Period, the Company was not involved in any major transactions of assets and mergers of enterprises.

EQUITY INCENTIVES SCHEME OF THE COMPANY AND ITS IMPACT

During the Reporting Period, the Company did not have any equity incentives scheme.

MATERIAL CONTRACTS

During the Reporting Period, the Company or any of its subsidiaries had not entered into any material contracts with the Controlling Shareholders or any of their subsidiaries other than the Group, and the Group did not have any material service contracts with the Controlling Shareholders or any of their subsidiaries other than the Group.

EQUITY RIGHTS HELD IN OTHER LISTED COMPANIES

During the Reporting Period, the Company did not hold any equity rights in other listed companies.

DEALINGS IN THE SHARES OF OTHER LISTED COMPANIES

During the Reporting Period, the Company did not deal in the shares of other listed companies.

EXPOSURE TO RISKS OF SUSPENSION AND TERMINATION OF LISTING

During the Reporting Period, the Company was not involved in any circumstances which may lead to suspension or termination of Listing, nor involved in any detailed arrangement and planning of investor relations management as a result of suspension or termination of Listing.

SIGNIFICANT SUBSEQUENT EVENTS

Ms. Liu Shuzhen resigned as an executive Director of the first session of the Board, a vice President and the Chief Economic Officer of the Company with effect from 8 January 2019. Upon approval at the 2019 first extraordinary general meeting of the Company, Mr. Zhao Wensheng was appointed as an executive Director of the first session of the Board of the Company, with a term from 25 February 2019 to the expiration of the term of the current Board and may offer himself for re-election upon expiration. For details, please refer to the circular dated 14 January 2019 of the 2019 first extraordinary general meeting of the Company and the announcement dated 25 February 2019 of the poll results of the 2019 first extraordinary general meeting.

On 25 March 2019, the Board considered and approved, among other things, the proposal on only adoption of the PRC Accounting Standards in preparing financial statements, the proposal on amendments to the Articles of Association, and the proposal on not re-appointment of overseas auditor and the proposed appointment of domestic auditor for 2019 and determination of its remuneration. In view of the relevant laws and regulations, in order to simplify the work process, improve work efficiency, reduce disclosure costs and audit fees, the Board decided that, for accounting years beginning from 1 January 2019, the Company changed to adopt only the PRC Accounting Standards in preparing its financial statements. In view of the adoption of only the PRC Accounting Standards in preparing financial statements of the Company, the Board proposed to amend certain articles of the Articles of Association and proposed not to re-appoint Ernst & Young as the Company's 2019 overseas auditor and proposed to re-appoint Ernst & Young Hua Ming LLP as the Company's 2019 domestic auditor, and submitted to the general meeting to grant authorization to the Board to further delegate such authority to the president, to determine the remuneration of the above auditor. The above proposals are subject to consideration and approval by the Shareholders at the 2018 annual general meeting of the Company. For details, please refer to the announcement of the Company dated 25 March 2019.

Save as disclosed in this report, from 1 January 2019 to the Latest Practicable Date, there were no significant subsequent events.

CHANGES IN SHARE CAPITAL AND INFORMATION OF SHAREHOLDERS

SHARE CAPITAL AND CHANGE IN SHARE CAPITAL

The overseas listed foreign Shares of the Company (H Shares) 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. On 5 January 2018, the over-allotment options as stated in the Prospectus were partially exercised for the allotment of 28,049,500 H Shares. As a result, the share capital increased to 1,761,383,500 Shares.

As at the Latest Practicable Date, the registered share capital of the Company was RMB1,761,383,500, divided into 1,761,383,500 ordinary Shares with a nominal value of RMB1.00, of which 1,300,000,000 were Domestic Shares and 461,383,500 were 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 31 December 2018 and the Latest Practicable Date, 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 31 December 2018 and the Latest Practicable Date	Approximate percentage of shareholding in the total issued share capital of the Company as at 31 December 2018 and the Latest Practicable Date
Mr. Li Baoyuan[1,2]	Interest in controlled corporation	1,300,000,000	Domestic Shares	Long position	100%	73.8%

Notes:

1. As at 31 December 2018 and the Latest Practicable Date, Qianbao Investment directly holds 7.5% of the equity interests in the Company and 43.63% of the equity interests in Zhongru Investment. In addition, each of the 119 individuals holding in aggregate the remaining 56.37% of the equity interests in Zhongru Investment has respectively undertaken that they have followed since the establishment of Zhongru Investment or when each of them became a shareholder of Zhongru Investment, and will continue to follow Qianbao Investment in exercising their voting powers at shareholders' general meetings of Zhongru Investment and all other rights of shareholders of Zhongru Investment. Therefore, Qianbao Investment is deemed to be interested in 100% of the equity interests in Zhongru Investment and thus be interested in the 1,202,500,000 Shares held by Zhongru Investment for the purpose of Part XV of the SFO.

2. As at 31 December 2018 and the Latest Practicable Date, Mr. Li Baoyuan directly holds 90% of the equity interests in Qianbao Investment, which is deemed to be directly and indirectly holding 100% of the equity interests in Zhongru Investment and directly holding 7.5% of the equity interests in the Company. Therefore, Mr. Li Baoyuan is deemed to be interested in 100% of the equity interests, or 231,000,000 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 and class of shares interested	Nature of interest	Approximate percentage of issued share capital of associated corporation as at 31 December 2018
Mr. Li Baoyuan[1]	Qianbao Investment[2]	Beneficial owner	45,000,000 shares	Long position	90.00%
	Zhongru Investment[3]	Interest in controlled corporation	231,000,000 shares	Long position	100.00%
Mr. Li Baozhong	Qianbao Investment[2]	Beneficial owner	5,000,000 shares	Long position	10.00%
Mr. Cao Qingshe	Zhongru Investment[3]	Beneficial owner	5,000,000 shares	Long position	2.16%
Mr. Shang Jinfeng	Zhongru Investment[3]	Beneficial owner	1,000,000 shares	Long position	0.43%
Ms. Liu Shuzhen[4]	Zhongru Investment[3]	Beneficial owner	2,000,000 shares	Long position	0.86%
Mr. Liu Yongjian	Zhongru Investment[3]	Beneficial owner	2,000,000 shares	Long position	0.86%
Mr. Yu Xuefeng[5]	Zhongru Investment[3]	Beneficial owner	1,000,000 shares	Long position	0.43%
Mr. Liu Jingqiao	Zhongru Investment[3]	Beneficial owner	498,960 shares	Long position	0.22%
Mr. Yue Jianming	Zhongru Investment[3]	Beneficial owner	498,960 shares	Long position	0.22%

Name of the Directors, Supervisors and Chief Executives	Name of associated corporation	Capacity	Number and class of shares interested	Nature of interest	Approximate percentage of issued share capital of associated corporation as at the Latest Practicable Date
Mr. Li Baoyuan[1]	Qianbao Investment[2]	Beneficial owner	45,000,000 shares	Long position	90.00%
	Zhongru Investment[3]	Interest in controlled corporation	231,000,000 shares	Long position	100.00%
Mr. Li Baozhong	Qianbao Investment[2]	Beneficial owner	5,000,000 shares	Long position	10.00%
Mr. Cao Qingshe	Zhongru Investment[3]	Beneficial owner	5,000,000 shares	Long position	2.16%
Mr. Shang Jinfeng	Zhongru Investment[3]	Beneficial owner	1,000,000 shares	Long position	0.43%
Mr. Zhao Wensheng[6]	Zhongru Investment[3]	Beneficial owner	1,000,000 shares	Long position	0.43%
Mr. Liu Yongjian	Zhongru Investment[3]	Beneficial owner	2,000,000 shares	Long position	0.86%
Mr. Yu Xuefeng[5]	Zhongru Investment[3]	Beneficial owner	1,000,000 shares	Long position	0.43%
Mr. Liu Jingqiao	Zhongru Investment[3]	Beneficial owner	498,960 shares	Long position	0.22%
Mr. Yue Jianming	Zhongru Investment[3]	Beneficial owner	498,960 shares	Long position	0.22%

1. As at 31 December 2018 and the Latest Practicable Date, Mr. Li Baoyuan directly holds 90% of the equity interests in Qianbao Investment ,which directly holds 43.63% of the equity interests in Zhongru Investment. In addition, each of the 119 individuals holding in aggregate the remaining 56.37% of the equity interests in Zhongru Investment has respectively undertaken that they have followed since the establishment of Zhongru Investment or when they became a shareholder of Zhongru Investment, and will continue to follow Qianbao Investment in exercising their voting powers at shareholders' general meetings and all other rights of shareholders of Zhongru Investment. Therefore, Mr. Li Baoyuan, through Qianbao Investment, is deemed to be interested in 100% of the equity interests, or 231,000,000 Shares in Zhongru Investment.

2. As at 31 December 2018 and the Latest Practicable Date, the total share capital of Qianbao Investment is 50,000,000 shares.

3. As at 31 December 2018 and the Latest Practicable Date, the total share capital of Zhongru Investment is 231,000,000 shares.

4. Ms. Liu Shuzhen has resigned as a Director of the first session of the Board, a vice President and the Chief Economic Officer of the Company with effect from 8 January 2019.

5. Mr. Yu Xuefeng has been appointed as a Supervisor of the first session of the Board of Supervisors and the chairman of the Board of Supervisors of the Company with effect from 25 June 2018.

6. Mr. Zhao Wensheng took office as an executive Director on 25 February 2019.

Save as disclosed above, so far as any Directors, Supervisors or chief executives of the Company are aware, as at 31 December 2018 and the Latest Practicable Date, 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 Hong Kong 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 Hong Kong Stock Exchange pursuant to the Model Code.

RIGHTS OF DIRECTORS AND SUPERVISORS TO ACQUIRE SHARES OR DEBENTURES

As at 31 December 2018 and the Latest Practicable Date, 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 31 December 2018 and the Latest Practicable Date, 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 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 31 December 2018	Approximate percentage of shareholding in total issued share capital of the Company as at 31 December 2018
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%	5.53%
China Create Capital Limited	Beneficial owner	40,860,000	H Shares	Long position	8.86%	2.32%
Hwabao Trust Co., Ltd	Trustee	79,294,500	H Shares	Long position	17.18%	4.50%
Juli Group	Beneficial owner	68,107,000	H Shares	Long position	14.76%	3.86%
Sino Wealthy Limited[2]	Beneficial owner	24,887,500	H Shares	Long position	5.39%	1.41%
Rentian Technology Holdings Limited[2]	Interest in controlled corporation	24,887,500	H Shares	Long position	5.39%	1.41%
King Pak Fu[3]	Interest in controlled corporation	36,608,000	H Shares	Long position	7.93%	2.07%

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 the Latest Practicable Date	Approximate percentage of shareholding in total issued share capital of the Company as at the Latest Practicable Date
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%	5.53%
Hwabao Trust Co., Ltd	Trustee	79,294,500	H Shares	Long position	17.18%	4.50%
Juli Group	Beneficial owner	68,107,000	H Shares	Long position	14.76%	3.86%
King Pak Fu[3]	Interest in controlled corporation	36,608,000	H Shares	Long position	7.93%	2.07%

1. As at 31 December 2018 and the Latest Practicable Date, Qianbao Investment directly holds 7.5% of the equity interests in the Company and 43.63% of the equity interests in Zhongru Investment. In addition, each of the 119 individuals holding in aggregate the remaining 56.37% of the equity interests in Zhongru Investment has respectively undertaken that they have followed since the establishment of Zhongru Investment or when each of them became a shareholder of Zhongru Investment, and will continue to follow Qianbao Investment in exercising their voting powers at general meetings 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.

2. According to the disclosure of interest notice submitted by Sino Wealthy Limited ("**Sino Wealthy**") for filing on 18 December 2017, Sino Wealthy holds 24,887,500 H Shares as a beneficial owner, while Rentian Technology Holdings Limited ("**Rentian Technology**") indirectly holds 100% of the equity interests in Sino Wealthy, hence Rentian Technology is deemed to be interested in the H Shares held by Sino Wealthy.

3. According to the disclosure of interest notice submitted by Mr. King Pak Fu for filing on 13 March 2018, Mr. King Pak Fu holds the equity interests in an aggregate of 36,608,000 H Shares through its controlled corporation, including: (i) 23,167,000 Shares held through Sino Wealthy in which he is deemed to indirectly hold 100% of the equity interests; and (ii) 13,441,000 Shares held through Swift Fortune Investments Limited in which he is deemed to indirectly hold 100% of the equity interests.

CORPORATE GOVERNANCE REPORT

The Board is pleased to present the corporate governance report of the Company for the year ended 31 December 2018.

For the year ended 31 December 2018, the Company has complied with the code provisions (the "**Code Provisions**") of the Corporate Governance Code (the "**CG Code**") set out in Appendix 14 to the Listing Rules. It has established a set of corporate governance system with respect to Board composition, Board diversity policy, duties and procedures, remuneration structure of the Directors and senior management and appraisal of the Board, internal control and audit, joint company secretaries and communication between the Company and Shareholders.

In particular, the Chairman assumes the major responsibility for ensuring that sound corporate governance practices and procedures are in place. The Company has adopted a corporate governance policy, which sets out terms of reference for the Board, including but not limited to: formulation and review of the corporate governance policy and practices of the Company; review and monitoring of the training and continuous professional development of the Directors and senior management; review and monitoring of the policies and practices of the Company in relation to compliance with laws and regulatory requirements; formulation, review and monitoring of compliance by staff and Directors with the code of conduct and compliance manual; and review of the compliance of the Company with the CG Code.

CORPORATE GOVERNANCE PRACTICES

The Company recognizes the vital importance of good corporate governance to its success and sustainability. The Company studied relevant regulations thoroughly pursuant to the guidelines as stipulated in the Listing Rules, and introduced corporate governance practices appropriate for business operation and growth.

During the year ended 31 December 2018, 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.

BOARD

Responsibilities

The Board is held accountable for the general meeting and are primarily responsible for overall management and control of the Company as well as providing leadership and approving strategic policies and plans with a view to enhancing shareholder value. All Directors carry out their duties in good faith and in compliance with the applicable laws and regulations, and act in the interest of the Company and its Shareholders at all times.

All Directors have full and timely access to all relevant information as well as the advice and services of the joint company secretaries and senior management, with a view to ensuring compliance with the Board procedures and all applicable laws and regulations.

The Board is responsible for making decisions on all major matters of the Company, including approval and monitoring of all policy matters, overall strategies and budgets, operating plans and investment proposals, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment or dismissal of senior management of the Company and other significant financial and operational matters.

Directors have full and timely access to independent consultation with the senior management. Any Director and committee under the Board may request independent professional advice in appropriate circumstances at the Company's expense, upon making reasonable request to the Board.

The Board has delegated the authority and responsibility for day-to-day management and operation of the Company to the management. The respective functions of the Board and management of the Company were established and will be reviewed from time to time as appropriate. To oversee particular aspects of the Company's affairs, the Board has established three Board committees, namely the Audit Committee, the Remuneration and Appraisal Committee, and the Nomination Committee. The Board has delegated to the Board Committees responsibilities as set out in their respective terms of reference.

BOARD COMPOSITION

As at the Latest Practicable Date, the Directors were as follows:

Executive Directors

Mr. Li Baozhong[1]
Mr. Shang Jinfeng
Mr. Liu Yongjian
Mr. Zhao Wensheng[2]

Non-executive Directors

Mr. Li Baoyuan[3]
Mr. Cao Qingshe

Independent Non-executive Directors

Mr. Xiao Xuwen
Ms. Shen Lifeng
Ms. Chen Xin
Mr. Chan Ngai Sang Kenny

Notes:

1. Mr. Li Baozhong is the brother of Mr. Li Baoyuan and uncle of Mr. Li Wutie.

2. Ms. Liu Shuzhen has resigned as a Director of the first session of the Board, a vice President and the Chief Economic Officer of the Company with effect from 8 January 2019. Mr. Zhao Wensheng was appointed as a Director of the first session of the Board of the Company with effect from 25 February 2019.

3. Mr. Li Baoyuan is the brother of Mr. Li Baozhong and the father of Mr. Li Wutie.

Biographies of the Directors are set out in the section headed "Directors, Supervisors, Senior Management and Employees" in this report.

Saved for disclosed above, there are no relationships among the Directors, Supervisors and senior management, including financial, business, family or other material/relevant relationships.

During the Relevant Period, the Company has been in compliance with the requirements of rules 3.10(1) and 3.10(2) of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing the appropriate professional accounting qualifications or related financial management expertise. The Company has also complied with the requirement of Rule 3.10A of the Listing Rules relating to the appointment of independent non-executive Directors representing at least one-third of the Board.

Each of the independent non-executive Directors has provided on annual confirmation of his/her independence pursuant to rule 3.13 of the Listing Rules and the Company considers each of them to be independent.

All Directors have brought a wide range of valuable business experience, knowledge and expertise to the Board for its effective functioning. Moreover, through active participation in Board meetings, taking the lead in managing issues involving potential conflict of interests and serving on the committees under the Board, all non-executive Directors make various contributions to the effective leadership of the Company.

INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

All Directors are encouraged to participate in continuous professional development programs to sharpen and update their knowledge and skills. The Company has participated in continuous professional development through seminars and/or reading materials to develop and refresh its knowledge and skills. All Directors have provided training records to the Company.

For the year ended 31 December 2018, all Directors have been given relevant guideline materials and attended training regarding the duties and responsibilities of the Directors, relevant laws and regulations applicable to the Directors, and the disclosure of interest and business obligations of the Group.

CHAIRMAN AND PRESIDENT

The positions of the Chairman and the President are held separately. The role of Chairman is held by Mr. Li Baozhong, and the role of President is held by Mr. Shang Jinfeng.

The division of responsibilities between the Chairman and President is clearly established and set out in writing. The Chairman exercises such functions as presiding over general meetings, convening and presiding over meetings of the Board; supervising and checking on the implementation of the resolutions of the general meetings and the Board of Directors and receiving the work reports of the President, other senior management members of the Company and the persons-in-charge of the invested enterprises of the Company, so as to ensure that the Board performs its responsibilities and all key and appropriate issues are discussed by the Board in a timely manner. The President is responsible for the Board, appointed by the Board and has the delegated power to manage the Company and to oversee the activities of the Company on a day-to-day basis. His major functions include being in charge of the production, operation and management of the Company, to organize the implementation of the resolutions of the Board of Directors, and to report on his or her work to the Board of Directors; arranging for the implementation of the Company's annual business plans and investment plans, drafting the plan for establishment of the Company's internal management organization and the Company's basic management system and formulating the basic rules and regulations of the Company.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Pursuant to the Articles of Association, Directors (including executive Directors, non-executive Directors and independent non-executive Directors) shall be subject to election at the general meetings with a term of office of three years and may be re-elected. However, an independent non-executive Director shall not serve more than nine years consecutively. The Company has implemented a set of effective procedures for the appointment of new Directors. The Nomination Committee shall, in accordance with provisions of the relevant laws and regulations and the Articles of Association, taking into account the actual situations of the Company, consider the selection criteria, selection procedures and terms of office of the Directors of the Company, and record and submit the resolutions to the Board for approval. All newly nominated Directors are subject to election and approval at the general meetings. Each of the Directors and Supervisors has entered into a contract pursuant to rule 19A.54 and rule 19A.55 of the Listing Rules with our Company which provides for, among others, compliance of relevant laws and regulations, observations of the Articles of Association and provision on arbitration with the Company.

BOARD COMMITTEES

Audit Committee

The Company established the Audit Committee on 15 December 2017, with written terms of reference in compliance with the CG Code. The primary duties of the Audit Committee include:

1. to review significant financial policies of the Company and their implementation, and supervise the financial activities of the Company;

2. to review the financial information and relevant disclosures of the Company;

3. to consider and approve the risk management and internal control evaluation proposal of the Company, and supervise and evaluate the risk management and internal control of the Company;

4. to consider and approve the audit budget, remuneration of staff and appointment and dismissal of key senior officers of the Company, supervise and evaluate the internal audit of the Company and formulate the medium-to-long-term audit plan, annual working plan and structure of the internal audit system of the Company as authorized by the Board, and report to the Board;

5. to propose the appointment or dismissal of the external accounting firm, supervise the work of the external accounting firm, and evaluate the report of the external accounting firm to ensure that the external accounting firm undertakes its audit responsibilities;

6. to facilitate communications and monitor the relationship between the internal audit department and the external accounting firm;

7. to monitor the non-compliance of the Company in respect of financial reporting and risk management and internal control; and

8. other matters required by laws, regulations, regulatory documents, the rules of the securities regulatory authority of the place where the Shares of the Company are listed and the requirements of the Articles of Association, and as authorized by the Board.

The Audit Committee currently consists of five non-executive Directors, three of whom are independent non-executive Directors. The members of the Audit Committee are currently Ms. Shen Lifeng, Mr. Li Baoyuan, Mr. Cao Qingshe, Ms. Chen Xin and Mr. Chan Ngai Sang Kenny. It is currently chaired by Ms. Shen Lifeng, an independent non-executive Director.

During the year ended 31 December 2018, the Audit Committee convened two meetings to review the annual result announcement and annual report for the year ended 31 December 2017, the Financial Report for Year 2017 and the Financial Budget for Year 2018, to approve and review the internal control and risk management system of the Group and to oversee the audit process as well as to review the interim results announcement and interim report for the six months ended 30 June 2018.

Nomination Committee

The Company established the Nomination Committee on 15 December 2017, with written terms of reference in compliance with the CG Code. The primary duties of the Nomination Committee include:

1. to formulate procedures and standards for the election of Directors and senior management and make recommendations to the Board in this regard;

2. to make recommendations to the Board on the nomination of candidates for Directors, Presidents and secretary of the Board;

3. to conduct preliminary examination of the eligibility of candidates for Directors and senior management;

4. to make recommendations to the Board on the nomination of candidates for chairmen and members of the Board Committees; and

5. other matters required by laws, regulations, regulatory documents, the rules of the securities regulatory authority of the place where the Shares of the Company are listed and the requirements of the Articles of Association, and as authorized by the Board.

The Nomination Committee currently consists of two executive Directors and three independent non-executive Directors. The members of the Nomination Committee are currently Mr. Li Baozhong, Mr. Shang Jinfeng, Ms. Shen Lifeng, Ms. Chen Xin and Mr. Chan Ngai Sang Kenny. It is currently chaired by Mr. Li Baozhong, the Chairman of the Board.

During the year ended 31 December 2018, the Nomination Committee convened one meeting, to review the structure, size and composition of the Board, assess the independence of independent non-executive Directors and the diversity of the Board.

Board Diversity Policy

The Company adopted the Board diversity policy on 5 June 2017, which is summarized as follows:

Overview of the policy

With a view to achieving sustainable and balanced development, the Company considers increasing diversity at the Board level as an essential element in achieving strategic objectives and sustainable development. All Board appointments are based on meritocracy and candidates are considered against appropriate criteria, having due regard for the benefits of diversity on the Board.

Measurable objectives and progress on achieving such objectives

The selection of candidates is based on a wide range of diversity perspectives with reference to the business model and special requirements of the Company, including but not limited to gender, ethnicity, language, cultural background, educational background, industry experience and professional experience. The Nomination Committee reviews the policy and the measurable objectives on an annual basis, so as to ensure the continued effectiveness of the Board.

As at the Latest Practicable Date, the Company had a total of 10 Directors, covering different gender and age groups. In addition to construction projects, members of the Board also accumulate industry and professional industry in finance, legal affairs and corporate governance. The Nomination Committee has reviewed the Board diversity policy and considers that, appropriate balance has been stricken among the Board members in terms of skills, experience and perspectives and the Board diversity policy has been effective.

Nomination policy

The Company adopted the Director nomination policy on 25 March 2019. According to the Director nomination policy, the nomination Committee adopts the following selection procedures when recommending candidates for Directors:

(1) The Nomination Committee shall actively communicate with all business and functional departments of the Company to study the Company's need for Directors;

(2) The Nomination Committee may extensively look for suitable candidates among substantial Shareholders, the Company and its subsidiaries, as well as relevant industry institutions and market institutions;

(3) According to the criteria listed in the Company's Board diversity policy and Director nomination policy, identify and select the recommended candidates, and collect relevant information of the primary candidates to form written materials;

(4) Obtaining the nominee's consent to the nomination, otherwise he/she cannot be taken as the recommended candidate;

(5) Convening a meeting of the Nomination Committee to examine the qualifications of the primary candidates according to the qualifications of Directors;

(6) Before the election of new directors, providing relevant materials of the recommended candidates to the Board to consider; and

(7) Carrying out other follow-up work according to the Board's decisions and feedback.

In considering the nomination of recommended Directors, the Nomination Committee will take into account the Board diversity policy of the Company and abide by the following criteria:

i. The candidates will be recommended based on a series of diversified categories with reference to the Company's business model and specific needs, including but not limited to gender, age, race, language, cultural background, educational background, industry experience and professional experience;

ii. The impact of the proposed candidates on the structure and diversity of the Board;

iii. Whether the recommended candidates have the commitment to devote sufficient time and effectively perform his/her duties as directors. Therefore, consideration should be given to the number and nature of positions held by the candidate in public companies or organizations, as well as other work burdens that the candidate has undertaken;

iv. Whether the proposed candidate has caused potential/actual conflicts of interest as a result of his/her election;

v. Industry status, professionalism and independence of independent non-executive Director candidates;

vi. As for the proposed re-appointment of the independent non-executive Director, the time period he/she has served in the Company; and

vii. Other factors that the Nomination Committee may consider relevant.

Remuneration and Appraisal Committee

The Company established the Remuneration and Appraisal Committee on 15 December 2017, with written terms of reference in compliance with the CG Code. The primary duties of the Remuneration and Appraisal Committee include:

1. to organize and formulate the remuneration policy and plan of the Directors and senior management and submit to the Board for approval, and propose the remuneration distribution plan according to the performance evaluation of the Directors and senior management and submit to the Board for approval; and

2. other matters required by laws, regulations, regulatory documents, the rules of the securities regulatory authority of the place where the Shares of the Company are listed and the requirements of the Articles of Association, and as authorized by the Board.

The Remuneration and Appraisal Committee currently consists of two executive Directors and three independent non-executive Directors. The members of the Remuneration and Appraisal Committee are currently Ms. Chen Xin, Mr. Li Baozhong, Mr. Shang Jinfeng, Ms. Shen Lifeng and Mr. Chan Ngai Sang Kenny. It is currently chaired by Ms. Chen Xin, an independent non-executive Director.

During the year ended 31 December 2018, the Remuneration and Appraisal Committee convened one meeting, to review the policies of the remuneration of the Directors and senior management and the remunerations of the Directors and senior management in 2017.

CORPORATE GOVERNANCE FUNCTION

The Board recognizes that corporate governance should be the collective responsibility of the Directors and their corporate governance duties include:

(a) to formulate, review and improve the corporate governance system and the implementation of the Company;

(b) to review and supervise the training and continuous professional development of the Directors and senior management;

(c) to review and supervise the compliance of the Company's policies with laws and relevant regulations of the securities regulatory authority where the Shares are listed and to make the relevant disclosure;

(d) to formulate, review and monitor the code of conduct and compliance manual applicable to the employees and Directors; and

(e) to review the Company's compliance with the CG Code and the disclosure in the Corporate Governance Report.

During the year ended 31 December 2018, the above corporate governance function was performed and executed by the Board and the Board has reviewed the Company's compliance with the CG Code.

BOARD MEETINGS, BOARD COMMITTEE MEETINGS AND THE GENERAL MEETING

Meetings of the Board are divided into regular meetings and extraordinary meetings. The Board intends to hold Board meetings regularly at least four times a year at approximately quarterly intervals. Notices of not less than fourteen days will be given before all regular Board meetings, and notices of not less than five days will be given before extraordinary Board meetings, to provide all Directors with an opportunity to attend and include matters in the agenda for regular Board meetings.

During the year ended 31 December 2018, the Board convened 12 meetings.

During the year ended 31 December 2018, the attendance record of individual Director at the meetings of the Board meeting, the Audit Committee, the Nomination Committee and the Remuneration and Appraisal Committee and the general meeting is set out below:

	Number of attendance/meeting(s)				
Name of Directors	Board meeting	Audit Committee meeting	Nomination Committee meeting	Remuneration and Appraisal Committee meeting	Annual general meeting
Executive Directors					
Mr. Li Baozhong	12/12	–	1/1	1/1	1/1
Mr. Shang Jinfeng	12/12	–	1/1	1/1	1/1
Ms. Liu Shuzhen[1]	12/12	–	–	–	1/1
Mr. Liu Yongjian	12/12	–	–	–	1/1
Mr. Zhao Wensheng[2]	–	–	–	–	–
Non-executive Directors					
Mr. Li Baoyuan	12/12	2/2	–	–	1/1
Mr. Cao Qingshe	12/12	2/2	–	–	1/1
Independent non-executive Directors					
Mr. Xiao Xuwen	6/12	–	–	–	1/1
Ms. Shen Lifeng	9/12	2/2	1/1	1/1	1/1
Ms. Chen Xin	9/12	2/2	1/1	1/1	1/1
Mr. Chan Ngai Sang Kenny	6/12	2/2	1/1	1/1	1/1

Notes:

1. Ms. Liu Shuzhen has resigned as a Director of the first session of the Board of the Company with effect from 8 January 2019.

2. Mr. Zhao Wensheng has been appointed as a Director of the first session of the Board of the Company with effect from 25 February 2019.

Except for the annual general meeting, the Company did not convene other general meetings in 2018.

On 25 February 2019, the Company held the 2019 first extraordinary general meeting, at which the proposals on appointment of an executive Director and on change in use of the net proceeds from the Global Offering were considered and approved. For details, please refer to the circular dated 14 January 2019 of the 2019 first extraordinary general meeting of the Company and the announcement dated 25 February 2019 of the poll results of the 2019 first extraordinary general meeting.

COMPLIANCE WITH THE NON-COMPETITION UNDERTAKINGS

Each of Mr. Li Baoyuan, Zhongru Investment and Qianbao Investment (the controlling shareholders of the Company as defined in the Listing Rules) has confirmed to the Company that he/it has complied with the non-competition undertakings given to the Company on 23 November 2017 during the year ended 31 December 2018. The independent non-executive Directors have reviewed the status of compliance and enforcement of the non-competition undertakings and confirmed that the undertakings thereunder have been complied with for the year ended 31 December 2018.

REMUNERATIONS OF THE SENIOR MANAGEMENT

Details of directors' remuneration are set out in note 9 to the financial statements. Remunerations paid to a total of three senior management (excluding the Directors) by bands for the year ended 31 December 2018 are set out below:

Remuneration band	Number of individual
RMB500,000 to RMB1,000,000	2
RMB200,000 to RMB500,000	1

SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted the Model Code as its own code of conduct for dealing in securities of the Company by the Directors and has formulated and adopted the code of conduct for dealing in securities by Supervisors and employees. Based on specific enquiry made to all Directors and Supervisors, each of them has confirmed that he/she has complied with the required standards as set out in the Model Code for the year ended 31 December 2018.

The Company is not aware of any non-compliance with the Model Code by the Directors, Supervisors or employees for the year ended 31 December 2018.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Company has established the Inspection and Auditing Department to assist in supervision of the performance of headquarters functions and implementation of basic operating procedure and oversee the internal operation and implementation of basic work system of subsidiaries of the Group.

In particular, the Board acknowledges its responsibilities for overseeing the risk management and internal control system of the Group. It also supervises and inspects the works and the risk management and internal control of the Company through the Audit Committee, and reviews the effectiveness at least annually. For the year ended 31 December 2018, the Board had reviewed the annual effectiveness of the risk management and internal control system and considers that, the design and function of the risk management and internal control system remain effective and appropriate in all material aspects.

Based on the "Basic Standard of Corporate Internal Control" and its implementation guidelines, and with reference to the requirements of the SFC and the actual conditions of the Company, the Company formulated the "Internal Control Appraisal Management System of Hebei Construction Group (《河北建設集團內部控制評價管理制度》)" and "Articles of the Risk Management Committee of Hebei Construction Group (《河北建設集團風控委員會章程》)". This facilitated the establishment of a more comprehensive internal control and risk management system aiming at upgrading the operation management and risk management capabilities of the Company, promoting the sustainability of the Company and safeguarding the legal interest of the investors. The "internal control" of such systems refers to the business systems and operating processes of the Board, Board of Supervisors, management and all staff of the Company for attaining goals of internal control. Business systems under such systems include all individual business units of the Group managed with the top-down approach, such as the marketing system, human resources system and financial management system, as well as the wholly-owned subsidiaries, controlled subsidiaries, other subsidiaries and project groups under direct management. The Board of the Company is in charge of building and maintaining the internal control and risk management system. It has established the Audit Committee for reviewing the formulation and implementation of the internal control and risk management system. The management of the Company has established the risk management committee, which leads the internal control and risk management of the Company, while the supervision and audit department evaluates the construction and implementation of the internal control system. Based on the internal control and risk management system, the Company organises risk assessment on a yearly basis to collect information on risks for rectification. In 2018, the Company performed more relatively comprehensive risk assessment and internal control, which covered the headquarters and the subsidiaries of the Group. It also prepared the 2018 Risk and Internal Control Report. The Board and the senior management of the Company attach great importance to the problems and risks identified and carried out rectification and improvement, which ensured compliant and efficient business operation of the Company.

In view of the above, the Company has a complete internal control structure in place, and an appropriate set-up for the internal audit department and staff, which effectively ensure the supervision and implementation of internal control procedures. The internal control and evaluation of the Company give a full and fair view of the actual situation and play an important role in supporting the compliant operation of the Company in the long run.

With respect to the procedures and internal controls for the handling and dissemination of inside information, the Company:

(i) is aware of its obligations under the SFO and the Listing Rules and the overriding principle that inside information should be announced as soon as reasonably practicable if it is the subject of a decision;

(ii) conducts its affairs with close regard to the applicable laws and regulations; and

(iii) has communicated to all relevant staff regarding the requirement under the applicable laws and regulations. During the Relevant Period, no person with knowledge of insider information was found using insider information to buy and sell the Company's Shares.

JOINT COMPANY SECRETARIES

The joint company secretaries of the Company are Mr. Li Wutie ("**Mr. Li**") and Ms. Wong Wai Ling ("**Ms. Wong**").

Mr. Li is the Board secretary and the assistant to the President of the Company. He is mainly responsible for assisting the President in dealing with various affairs, acting as the contact person of the Company with the Stock Exchange, and handling information disclosures and investor management as well as corporate governance affairs of the Company.

Ms. Wong, the other joint company secretary of the Company, is the vice president of SWCS Corporate Services Group (Hong Kong) Limited. She assists Mr. Li in his performance of duties as the joint company secretary of the Company. Ms. Wong's primary corporate contact person at the Company is Mr. Li.

For the year ended 31 December 2018, each of Mr. Li and Ms. Wong has taken no less than 15 hours of the relevant professional training on review of the Listing Rules and other compliance requirements.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements and annual report of the Company for the year ended 31 December 2018 in accordance with statutory requirements and applicable accounting standards.

The Board is accountable to the Shareholders for a clear and balanced assessment on the Company's financial position and prospects. The management of the Company provides all relevant information and records to the Board, which enables it to prepare the accounts and perform the above assessments.

The Audit Committee has reviewed and recommended to the Board to adopt the audited accounts for the year ended 31 December 2018. The Board is not aware of any material uncertainties relating to the events or conditions that may undermine the Company's ability to continue as a going concern.

The report of the independent auditor of the Company on its reporting responsibilities on the audited financial statements of the Group is set out in the independent auditors' report on page 169 to page 175.

AUDITORS

Ernst & Young has been appointed as the auditor of the Company for the year ended 31 December 2018. It shall retire at the 2019 annual general meeting and, being eligible, will offer itself for re-appointment. In March 2019, in view of the Company's proposed change to the adoption of only Chinese Enterprise Accounting Standards in preparing financial statements, the Board proposed not to re-appoint Ernst & Young as the overseas auditor of the Company for 2019 and proposed to re-appoint Ernst & Young Hua Ming LLP as the Company's domestic auditor for 2019. The above-mentioned auditor shall prepare the financial statements in accordance with the Chinese Accounting Standards and undertake the duties of the overseas auditors in accordance with the Listing Rules with a term ending upon the conclusion of the 2019 annual general meeting of the Company. At the same time, the Board submitted to the general meeting to grant authorization to the Board to further delegate such authority to the president, to determine the remuneration for the appointment of the above auditor. The above proposal is subject to consideration and approval by the Shareholders at the 2018 annual general meeting of the Company.

The remuneration paid to Ernst & Young in respect of the audit services rendered for the year ended 31 December 2018 was RMB4.6 million. Ernst & Young did not provide any non-audit services to the Company for the year ended 31 December 2018.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Shareholders' communication policy of the Company aims to maintain transparency and provide timely information of the major development of the Group to Shareholders and investors. General meetings of the Company are formal channels for communication between Shareholders and the Board. The Chairman of the Board and the chairman of the committees under the Board (or, in their absence, other members of the respective committees) will make themselves available at the general meetings to have direct communication with the Shareholders.

Shareholders may also send their enquiries and concerns to the Board by addressing them to the investor relations department of the Company at the following address or to the following email account:

Address:	No. 329 Wusixi Road, Jingxiu District, Baoding City, Hebei Province, the PRC
Email:	hebeijianshe@hebjs.com.cn

SHAREHOLDERS' RIGHTS

Convening Extraordinary General Meeting by Shareholders

In accordance with Article 70 to the Articles of Association, a Shareholder alone or the Shareholders together holding at least 10 percent of the Company's Shares shall have the right to make a request to the Board in writing that it call an extraordinary general meeting. The Board shall, in accordance with laws and the Articles of Association, give a written response on whether or not it agrees to call such meeting within 10 days after receipt of the request.

If the Board agrees to call an extraordinary general meeting, it shall issue a notice calling such meeting within 5 days after it has so resolved. The consent of the relevant shareholder(s) is required for any changes to be made in the notice to the original proposal.

If the Board does not agree to call such meeting, or fails to give a response within 10 days after receipt of the request, the Shareholder alone or Shareholders together holding at least 10 percent of the Shares shall have the right to propose to the Board of Supervisors in writing in order to call the extraordinary general meeting.

If the Board of Supervisors agrees to call the extraordinary general meeting, it shall issue a notice calling such meeting within 5 days after receipt of the request. The consent of the relevant Shareholder(s) is required for any changes to be made in the notice to the original request.

If the Board of Supervisors fails to issue the notice of the general meeting by the prescribed deadline, it shall be deemed to have failed to convene and preside over such meeting, and a Shareholder alone or Shareholders together holding at least 10 percent of the Shares of the Company for at least 90 days in succession may himself/herself/themselves convene and preside over such meeting.

In accordance with Article 71 to the Articles of Association, Shareholders requesting the convening of a class meeting shall do so by the procedure set forth below:

(i) two or more Shareholders holding in aggregate at least 10 percent of the Shares carrying the voting right at the meeting to be held may sign one or more written requests of identical form and content requesting that the Board convene a class meeting and stating the topics to be discussed at the meeting. The Board shall convene the class meeting as soon as possible after having received the aforementioned written request. The shareholding referred to above shall be calculated as of the day on which the written request is made.

(ii) if the Board fails to issue a notice to convene such meeting within 30 days after having received the aforementioned written request, the Shareholders who made such request may themselves convene the meeting within four months after the Board received the request. The procedure for the Shareholders to convene such meeting shall, to the extent possible, be identical to the procedure for the Board to convene the general meetings.

If Shareholders convene and hold a meeting themselves because the Board failed to hold such meeting pursuant to the request as mentioned above, the reasonable expenses incurred by such Shareholders shall be borne by the Company and shall be deducted from the sums owed by the Company to the negligent Directors.

Putting Forward Proposals at General Meetings

In accordance with Article 76 to the Articles of Association, when the Company is to hold an annual general meeting, the Board, the Board of Supervisors and a Shareholder alone or Shareholders together holding 3 percent or more of the Company's Shares shall be entitled to propose motions to the Company.

A Shareholder alone or Shareholders together holding at least 3 percent of the Shares of the Company may submit extempore motions in writing to the convener 10 days prior to the date of such meeting. The convener shall issue a supplementary notice of the general meeting and make a public announcement of the contents of such extempore motion within two days after receipt of the motion, and submit such extempore motion to the general meeting for consideration. The contents of such extempore motion shall fall within the authority of the general meeting, and contain a clear topic and a specific resolution.

CONSTITUTIONAL DOCUMENTS

The following changes regarding the Articles of Association have taken place for the year ended 31 December 2018 and up to the Latest Practicable Date:

1. The revised Articles of Association, which were passed and adopted by the Company at the 2017 ninth extraordinary general meeting held on 10 November 2017, came into effect on 12 January 2018.

2. The revised Articles of Association, which were passed and adopted by the Company at the 2017 annual general meeting held on 25 June 2018, came into effect on 25 June 2018.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

OVERVIEW

This is the second Environmental, Social and Governance (the "**ESG**") Report issued by Hebei Construction Group Corporation Limited (the "**Company**"). It focuses on the disclosure of relevant information on the ESG aspects of the Company. The Report covers the work for the financial year from 1 January 2018 to 31 December 2018 (the "**Reporting Period**").

BASIS OF PREPARATION

This Report is prepared based on the revised *Environmental, Social and Governance Reporting Guide* (the "**Guide**") in the Appendix 27 of the Listing Rules issued by The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") in December 2015.

The content of this Report is determined based on a set of systematic rules. The relevant procedures include identifying and ranking important stakeholders and the important issues relating to ESG, determining the scope of the ESG Report, collecting relevant materials and data, preparing the report based on related information and reviewing the information contained in the Report.

SCOPE OF THE REPORT

The policies, statements and data in this Report cover Hebei Construction Group Corporation Limited and its subsidiaries ("**we**" or the "**Group**"). Unless otherwise specified, reference to currencies in this Report is RMB.

DATA SOURCE AND RELIABILITY ASSURANCE

The data and cases of this Report are mainly derived from the Group's statistical reports and related documents. The Group undertakes that there is no false record or misleading statement in this Report and is responsible for the authenticity, accuracy and completeness of the contents hereof in all material respects.

CONFIRMATION AND APPROVAL

Upon confirmation by the management, this Report was approved by the Board of directors on 25 March 2019.

1 ESG MANAGEMENT

Since its listing, the Group has promoted the transformation and upgrade of the traditional construction industry through project management optimization with practical actions, and delivered the benefit of its achievements to the society. Adhering to the philosophy of "Harmonious Family and Responsible People", we intensified the ESG management in depth to fulfill expectations of the society with responsible attitude.

1.1 ESG CONCEPT

The Group has formed a distinctive "Family • People" culture in the course of development over the past decades. Led by the concept of culture and giving full play to its cohesion, we integrate the philosophy of social value and responsibility into operations, realizing the healthy and sustainable development of the Group while bringing shared benefits for different communities.

Corporate Mission	Corporate Vision	Corporate Spirit	Corporate Value
Create space with love	A happy enterprise that accomplishes the purposes of its own and others, a century-old company with an ever-lasting business	Thoughtful enterprise Credible corporation	Pursue excellence Devote sincerity Unbounded organization Create value together

The long-term, healthy and sustainable development is the cornerstone for the continuous progress of enterprises and the core goal of our ESG management. Regarding to this goal, we have established the following strategies to enable the normality of ESG management:

Actively respond to and comply with the government policies and regulations about green construction, and promote green construction to reduce the impact on communities. **Green Environmental Protection**	Strongly support precise poverty alleviation, and devote itself to social activities to promote harmony development of the society. **Return to Society**
Full Communication Strengthen the engagement with stakeholders to understand the status of our ESG and enhance ESG management.	**Responsibility for Quality** Focus on improving construction quality to firmly ensure production safety.

1.2 ESG STRUCTURE

The Group constantly improved the ESG organizational structure and management methods, and fulfilled ESG's management requirements in each aspect. During the Reporting Period, we continued to pay close attention to the ESG risks in operation. We carried out ESG related work under the ESG management structure with the leadership of the Board, the coordination of the ESG Working Committee and the main force of the ESG Working Team.

During the Reporting Period, we updated the *Letter of Responsibility for Targets of Operation and Management* for evaluating the performance of the management of subsidiaries, and incorporated the social responsibility and contribution indicators into the criteria for the appraisal of management personnel. This initiative gives clear guidance to our subsidiaries so as to facilitate the implementation of our ESG concept, which will further promote the harmonious development of the Group and the society. The system will be officially introduced in the performance assessment in 2019.

1.3 Integrity Operation

In order to improve the risk management and optimize the effectiveness of internal control, we adhere to the corporate personality of "integrity-based and ethics-oriented" and supervise the whole process of operation and management. Since the listing, we have been improving the current system in accordance with the laws and regulations and the requirements of the Stock Exchange and actively carried out the publicity of laws and regulations and warning trainings to further enhance its management level.

Fair Competition

The Group expects to boost the orderly development of the industry by regulating its own business practices so as to stimulate the vitality of the industry. In order to achieve this goal, the Group strictly abides by the bottom line of business ethics and social order in accordance with *the Anti-Unfair Competition Law of the People's Republic of China* and other laws and regulations, and actively creates a fair and benign competitive environment. We absolutely oppose market monopoly, vicious competition, under-the-table deals, etc., and constantly strengthen the awareness of fair competition among employees.

Anti-corruption

The Group conducts its own business activities in accordance with stringent compliance standards and ethical standards to create a fair, honest and efficient internal corporate environment.

- In terms of system building, we incorporated corruption risk assessment into the annual corporate risk assessment to identify and analyze the risk of corruption at the company level and business unit level.

- In terms of daily operation and management, the Group issued the *Code of Business Ethics and Code of Conduct* in September 2018, which clarified the requirements for anti-bribery and anti-corruption and the code of employee behavior. The code requires employees to perform duties and exercise rights in an objective and effective way, prohibits the acceptance or request of commercial bribery, and prevents any act of gaining personal benefits by involving in the daily operations of the Group.

- In terms of procurement and tender management, in order to effectively control sensitive processes such as project tender and bidding, procurement and project account settlement, we implemented the management method of transparent procurement through supervising internal related personnel and stakeholders including material suppliers and subcontractors to prevent black case work and violations.

In addition to standardized management, the Group accepts complaints and reports from employees and external parties about business misconduct through various channels. Complaints could directly be reported to the Commission for Discipline Inspection and Supervision and Audit Department, or submit the relevant clues anonymously through the business ethics telephone line, email, mail, etc. After receipt, we will promptly investigate and deal with it, and do our utmost to prevent the identity of whistleblowers and evidence from leaking. During the Reporting Period, the Group did not involve in any litigation related to corruption.

During the Reporting Period, the Group organized an anti-corruption education campaign with a total of 540 employees participated, aiming to raise employees' awareness of integrity.

Intellectual Property Management

The Group strictly complies with *the Trademark Law of the People's Republic of China* and *the Patent Law of the People's Republic of China* and other laws and regulations. While intensifying efforts on R&D and innovation, we timely convert the results into patents to legally protect its intellectual property rights from infringement. We also respect the R&D results of others by avoiding the occurrence of intellectual property infringement.

1.4 MATERIALITY

In order to achieve the Group's vision and ESG goals, we identify stakeholders playing an important role in the Group's development. We actively conduct communication with various stakeholders in many aspects, and take their opinions and needs as a material consideration for the long-term and sustainable development strategy of the Group.

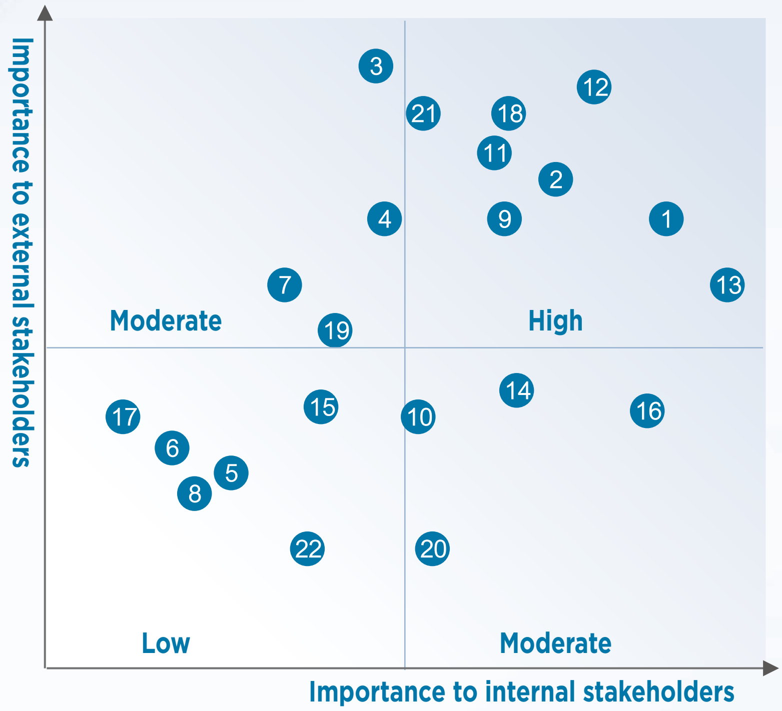
We understand that the improvement of ESG management level has a long way to go and requires close communication and cooperation with stakeholders. Therefore, the Group has established long-term strategies for stakeholder engagement to incorporate the expectations of different groups of stakeholders into the Group's future development routes and priorities. We regularly review the effectiveness of ESG-related actions to further fulfill stakeholders' needs in an all-round way. The following table lists the issues that different stakeholder categories are particularly concerned about during the Reporting Period.

Stakeholder categories	Issues that stakeholders are particularly concerned about	Communication or response methods
Employees	Health and safety Remuneration and benefits	Young employees symposium Annual meetings Survey on employees' satisfaction
Shareholders/Investors	Compliant operation On-going profitability	Shareholders' general meeting Results announcement Roadshow
Government authorities	Compliant operation Promote local employment and economic and social development	Communicate through meetings Formulate specifications and exchange of ideas
Subcontractors	The environmental impact of construction work Project quality	Daily communication throughout the process, including changes of design and construction
Proprietors	Project quality Protection of commercial information	Communication of sales and inspection Purchase and sales of commercial houses
Suppliers	Industry participation Supply chain management	Daily transactions Annual recognition Qualification review Communication throughout the tender and bidding process
Communities	Promote local employment and economic and social development The environmental impact of construction work	Charity activities Activities to promote community's development

Materiality Analysis

During the Reporting Period, we conducted more than ten in-depth discussions with stakeholders and collected their opinions and concerns on the Group's ESG work in daily communication with each group of stakeholders. Combining the results of questionnaire survey and interviews conducted in the previous year, we have adjusted and updated the materiality matrix, forming a materiality matrix for the Reporting Period as follows:

ESG Materiality Matrix



No.	Category	Topics	No.	Category	Topics
1	Corporate governance and development	**Compliant operation**	12	Labor and community	**Employees' health and safety**
2		**Risk responses**	13		**Training and career development**
3		Preventing corruption risks	14		Caring about employees
4		Business opportunities and technological innovation	15		Channels for employees to conduct internal communication, lodge complaints and give feedback
5	Environment	Application of clean technology and energy	16		Charity
6		Improve the utilization rate of water resources	17		Promote local employment and economic and social development
7		Emissions and waste disposal	18	Business operations	**Project quality assurance**
8		Resource recycling	19		Customers' satisfaction
9		**The environmental impact of construction work**	20		Protection of the commercial information of the Company and customers
10		Green office	21		**Quality management of the supply chain**
11	Labor and community	**Remuneration and legitimate benefits**	22		Requirements of suppliers on environmental and social impact

This matrix provides a strong basis for the Group to formulate long-term ESG strategies. During the Reporting Period, the Group's stakeholders increased their concerns on topics of preventing corruption risks, business opportunities and technological innovation, employees' health and safety, training and career development and charity.

2 RESPONSIBLE OPERATIONS

In the process of operation, the Group attached great importance to project quality and safety by strictly implementing national and local laws and regulations and industry standards to ensure high quality and timely and safe performing of project contracts. In order to provide customers with quality products and services, we also constantly promoted the management level and product quality of suppliers to achieve common development.

2.1 Quality Management

Product quality is the core competitiveness of construction companies and the cornerstone for protecting residents' lives and property rights. The Group is committed to providing high quality construction products to its customers in accordance with the provisions of *the Construction Law of the People's Republic of China* and *the Regulations on the Quality Management of Construction Projects*. Based on the requirements of the ISO 9001 quality management system, the Company constantly reviewed and improved its quality management status to enhance the quality management performance of the Group.


北京中建协认证中心有限公司
质量管理体系认证证书
河北建设集团股份有限公司

ISO 9001 Quality Management System Accreditation Certificate

The Group continued to implement such excellence assessment standards and specifications as *the Appraisal Standards for Quality Excellence of Engineering Projects of Hebei Construction Group, Explanation on Implementation Process of Internal Excellence Standards*, *Excellence Standards for Civil Engineering Enterprises*, *Excellence Standards for Building Electrical Engineering*, and *Excellence Standards for Ventilating and Air Conditioning Engineering Enterprises* based on the Group's construction process standard, so as to standardize methods for the excellence acceptance of construction quality in different specialized fields, advocating the pursuit of excellence construction to build brand quality reputation with the "craftsmanship".

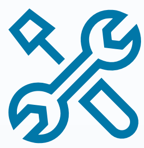
Management Practice

In terms of project quality management, we incorporated the technology and quality "double close loop"(雙歸零) initiative into the Group's *Quality Management Plan* to conclude and analyze quality problems from both technical and management aspects. We identified the leaders and personnel responsible for technical and management problems to check and eliminate the root causes for quality problems. After the problem is solved, the Group will also conclude the experience in time and solidify the rectification plan to avoid reoccurrence of similar problems.

During the project construction, each project department also carried out a series of innovative quality management measures according to the requirements of the Group's quality management strategy and local situations:

Share the experience of award-winning projects

- Establish Lu Ban Award Experience Sharing Module in the information platform to regularly publish advanced practices and construction features of quality projects to share the award-winning projects' ideas and practices.
- Require each project department to apply the excellent experience of the Lu Ban Award-winning projects to their projects according to the actual situation of the project, propelling the project quality management from the pursuit of "being qualified" to the pursuit of "being satisfactory".



Reform of technical disclosure methods to ensure the construction quality

- The Group applied digital technology to the technical disclosure which effectively improved the quality control of projects.
- Demonstrated the practices and requirements for key parts and key processes in the form of on-site demonstration operations, video images, picture and texts, physical displays and sample rooms before the large-scale construction of the project according to the requirements of "construction quality modelization, technical disclosure visualization, operation process standardization".
- Used information technology such as QR code, Building Information Modeling (BIM) and mobile video to conduct technical disclosure and show quality standard data in the form of table, quality effect in the form of diagram and construction process in a visualized way.

Project quality management experience sharing

In order to improve the management capability of quality officers, the Group held two phases of quality officer training on 6 July and 16 November 2018 respectively. The training instructors shared extensive quality management experience with quality officers with good results achieved and was well recognized by the quality officers at all levels present at the meeting.

Main training contents

Training site

Quality Honor

Over the years, the Group has consistently pursued the quality and craftsmanship spirit and created a large number of quality projects winning prizes like the Lu Ban Award. During the Reporting Period, the Group created a total of 68 quality projects at the provincial level or above, including 9 national-level projects, namely 1 project with Lu Ban Award, 3 projects with China Construction Engineering Decoration Award, 2 projects with China Steel Structure Gold Award, and participation in the construction of 3 projects with Lu Ban Award. In addition, during the Reporting Period, the Group obtained 11 national industry-level QC achievements and 74 provincial-level QC achievements, making outstanding contributions to promoting the high-quality development of the construction industry.

Quality Awards

By always upholding the principle of high standards and strict requirements and seriously complying with specifications in each part and process of projects during the construction, we have accumulatively built 22 Lu Ban Award projects and participated in the construction of 12 Lu Ban Award projects, enabling the Company to become a private enterprise winning the largest number of Lu Ban Award with its many quality projects.

Construction with craftsmanship for the pursuit of Lu Ban Award

The Lu Ban Award for Construction Works in China is an award granted by China Construction Industry Association under the guide of the Ministry of Housing and Urban-Rural Development of the People's Republic of China, being the highest honor for the construction quality in the construction industry of China. The award not only represents the highest honor, but also proves the construction strength of the enterprises.

On 13 December 2018, the outpatient complex project of Baoding First Central Hospital undertaken by the Group was granted the Lu Ban Award for Construction Works in China in the first batch selection of 2018-2019 (National Excellent Quality Project) by China Construction Industry Association. The project is a comprehensive intelligent building integrating medical, office, scientific research and teaching facilities with a modern and novelty appearance on the outside and the application of BIM technology during the whole construction process, which covers a total gross floor area of over 100,000 square meters.

2.2 Supply Chain Management

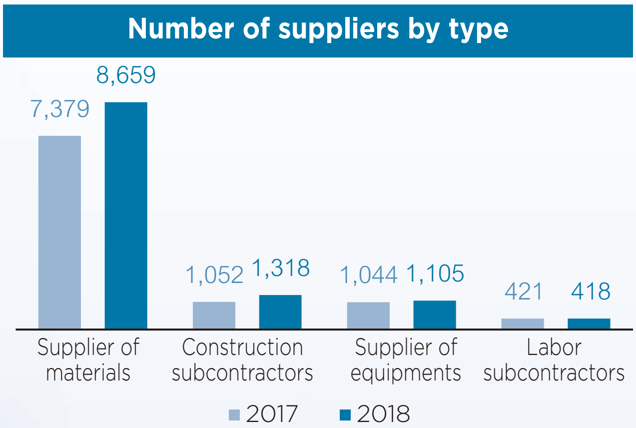
The partners in all aspects of the supply chain are important stakeholders to ensure the construction quality of the Group. Our development and growth are also dependent on their support. The Group conducts business cooperation with its partners in an equal and mutually beneficial manner. We actively promote the enhancement of the ESG management of our partners to drive the common development of the entire value chain while achieving its own sustainable development.

The Group carried out centralized management in respect of the qualifications of partners including suppliers and subcontractors, and has maintained a list of qualified partners. Only partners admitted in the list are qualified to cooperate with the Group. In order to further standardize the management of suppliers and subcontractors and improve the performance of project management, we implemented supply chain management according to the rules and regulations such as *Supplies Management System*, *Subcontractor Management System* and *Machinery and Equipment Management System*.

When selecting partners, in addition to the evaluation of conventional factors such as qualification level, product quality, service price and service quality, we also incorporate environmental protection and safety conditions into the assessment, and take the assessment results as a material consideration for partner selection. Furthermore, we will also give priority to green building materials that meet national environmental standards for procurement.

During the cooperation, the Group conducts performance assessments on existing suppliers on a regular basis, and conducts on-going, post and annual routine evaluations on their quality management, schedule management, production safety, contract performance and work coordination to ensure their normal performance. For partners not passing the assessment, we will remove them from the list and cancel their qualification for cooperation.

The Group's main partners include material suppliers, machinery and equipment suppliers, labor subcontractors and specialized subcontractors. As of 31 December 2018, the Group had a total of 11,500 suppliers and subcontractors, an increase of 16.21% over the same period of last year, and are distributed by region and type as follows:



Unit: number of suppliers and subcontractors

2.3 Safety Operation

In order to reduce the health and safety risks exposed to employees during work, especially the potential hidden dangers during construction, the Group held on to the policy of "safety first, prevention prioritized, and overall governance" and implemented a series of measures to reduce accidental injuries.

Safety Management

The Group strictly complies with *the Production Safety Law of the People's Republic of China* to implement safety management. The Group has established a Production Safety Committee, the director of which is served by the Company's legal representative and Chairman, and has a safety director in place to ensure the stability of the production safety organization system and the effectiveness of safety management. We divide the safety work into management at three levels of the Group headquarters, subsidiaries and projects. We carry out targeted safety management through preliminary planning, process control and regular assessment.

Safety Management Measures
Established a production safety system based on the Production Safety Accountability Mechanism;
By entering into the Letter of *Responsibility and Commitment for Production Safety* with the main person in charge of each subsidiary, the Company assigned safety responsibility to each level and to designated persons;
Forming an "Across all departments and all levels" production safety grid accountability system;
Formulated *the Safety Responsibility Appraisal System for Management Personnel at All Levels*, thereby performing regular appraisal on a level-by-level basis, where outperformers are rewarded while underperformers are subject to penalty;
Developed a replicable lane-like production safety management process, and complied the special work instruction for excellent performance in production safety, making the safety management work more programmatic, intuitive and conducive for implementation;
Identified and classified "the scope of the parts and processes of projects with higher risk of danger and exceeding a certain scale" and formulated the corresponding management method.

Establish and Promote Video Safety Management System

The project site is the terminal place for implementing safety management. In order to solve the blind spot of safety supervision caused by the wide geographical span of construction projects, the Group implemented remote video surveillance for important risk points in certain construction sites in Beijing by applying Internet + technology as an innovative management method. The surveillance facilities are mainly set up at places such as the entrance and exit of construction vehicles, main construction areas, materials processing areas, materials stacking areas, fences, construction roads, office areas and living areas. The management and the related project safety department can achieve real-time control on safe, civilized, green and standardized construction of projects, major hazard source and warning, safety hazard detection and elimination and progress performance through all-directional video monitoring of project progress and construction situations.

Live screen of remote video surveillance of Beijing Alte (北京阿爾特) project

We plan to extend the video safety management system to the Group's projects in various regions in the future, which will further enhance the Group's project quality and safety management capabilities as well as corporate competitiveness.

The Company has passed the Accreditation of OHSAS 18001 Occupational Health and Safety Management System, based on which the Group streamlined, developed and optimized its current safety management system, involving a total of 18 company-level systems.

北京中建协认证中心有限公司

职业健康安全管理体系认证证书

（副本）

兹证明

河北建设集团股份有限公司

发证日期：2017年04月29日

有效期：2017年04月29日至2020年04月28日

北京中建协认证中心有限公司

OHSAS 18001 Occupational Health and Safety Management System Accreditation Certificate

Safety Performance

The Group strictly implemented *the Measures for Quality, Safety, and Science and Technology Incentive Funds*(《品質、安全、科技獎勵基金管理辦法》), and increased our efforts in pursuing excellence in production safety, striving to create safe and civilized construction sites at the national, provincial and municipal levels. During the Reporting Period, the Group invested a total of RMB401.03 million in production safety, and invested another RMB5,704,900 to reward the projects with excellent performance in safety. Through the joint efforts of employees at all levels, the Group created an aggregate of 29 standardized safe and civilized construction sites of provincial and above level, including 2 national standardized production safety construction sites and 27 provincial standardized safe and civilized construction sites:

1) 2 National Production Safety and Production Standardized Construction Sites of Construction Projects

2) 20 Safe and Civilized Construction Sites of Hebei Province

3) 3 Safe and Civilized Construction Sites of Beijing

4) 1 Safe and Civilized Construction Site of Tianjin

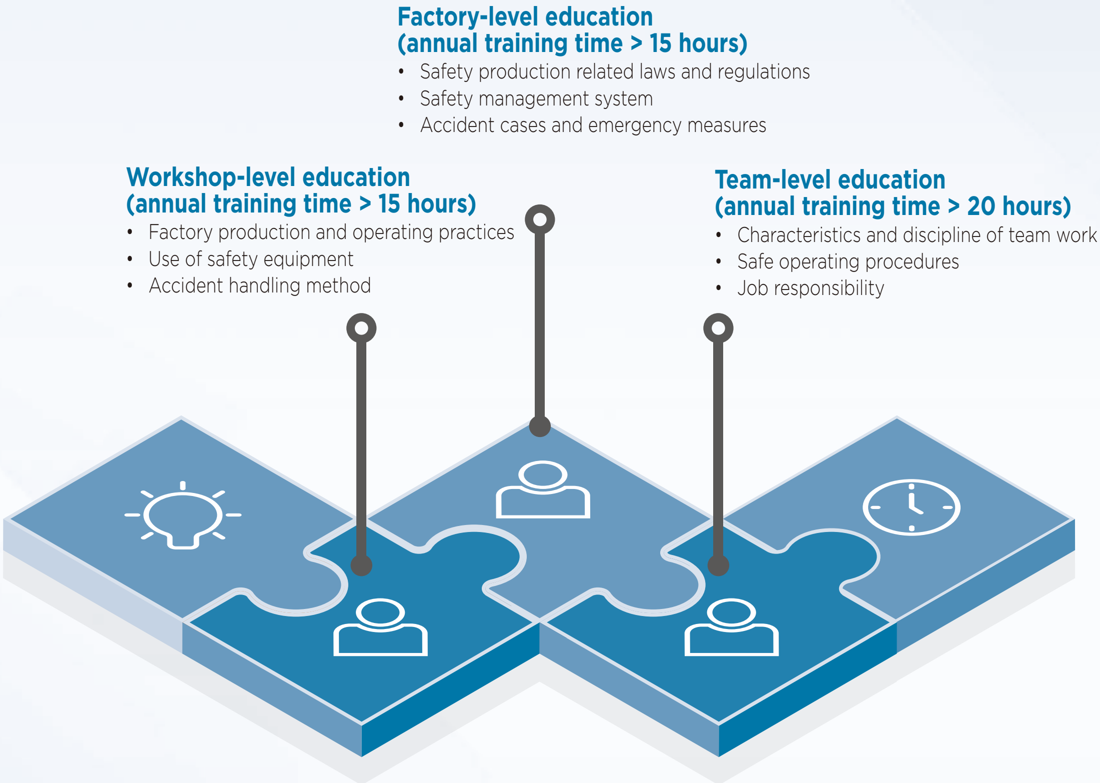
5) 1 Safe and Civilized Construction Site of Shanxi Province

6) 1 Safe and Civilized Construction Site of Mongolia Autonomous Region

7) 1 Safe and Civilized Construction Site of Jiangsu Province

Safety Training

The Group regularly organizes production safety publicity, education and training activities to constantly enhance safety awareness and operation skill of employees. During the Reporting Period, the Group revised *the Production Safety Education System*, improved the training system of three-level safety education at the factory, workshop and team level, and set stricter requirements on the minimum safety training hours of employees.



Innovation in Safety Management

While continuing to carry out traditional safety education such as safety management personnel training, safety routine meetings, system inspections, internal and external on-site observations, safety production month activities and safety drills, we carried out diversified safety training activities through active innovation. Our Project Department sought to improve the safety awareness of all employees and enhance their professional skills through a combination of weekly live broadcasting, information sharing, newspaper and radio, picture display board, security column, case warning, personal experience sharing, winter break training and multimedia applying WiFi education system and "Internet + VR technology".

"Weekly Live Broadcasting" Network Training

- Regarding to the characteristics of construction projects, such as large quantities, long distance and wide coverage, Langfang Branch of Hebei Construction Group Corporation Limited conducted innovative "Weekly Live Broadcasting" training through a webcasting platform to realize synchronous connection among different places. It not only achieved the training effect, but also saved administrative costs such as travel and accommodation;
- It is now planned to be launched throughout the Group.

Safety Column

- The Group has opened a "safety column" in the "Construction Group Newsletter" to share safety practices in various regions.
- In 2018, the column published a total of 6 articles from various departments and affiliates, which promoted the sharing, exchange and progress of safety work throughout the Group.

Safety Experience Hall

- The Group set up a safety experience hall in the project department of Hebei Construction Business Center, and had designated personnel to guide and arrange the staff to visit the hall.

VR Safety Experience

- During the safety production month, the Group held VR safety experience activities on the project site of the Diangu Science and Technology No 2. R&D Production Building. Under the guidance of technical personnel, the participants watched the potential safety hazards and the consequences through VR equipment, and thus established a stronger safety awareness.

Compile and Distribute Safety Guide Manual for Construction Personnel of Construction Project

In order to communicate safety education including the corporate culture, safety knowledge and workplace precautions to the frontline workers of the construction site in the form of intuitive pictures and texts, highlighted major points, easy-to-understand language and close to actual practice, the Group specially compiled and printed *the Safety Guide Manual for Construction Personnel of Construction Project* (the "**Manual**") during the Reporting Period, and has issued more than 100,000 manuals to all employees at the frontline to further enhance the safety awareness of construction personnel of construction project.

Manual distribution ceremony at the project site

Illustration of the Manual

During the Reporting Period, the performance of the Group's safety training was as follows:

Type	Unit	2018
Times of safety drills	Time	2,138
Number of persons participated in safety drills	Number of persons	71,858
Number of persons trained for production safety	Number of persons	8,239

Occupation Health Management

The Group strictly complies with the requirements of laws and regulations such as *the Law of the People's Republic of China on the Prevention and Control of Occupational Diseases*, *Administrative Measures for Occupational Health Inspection* and *Work-related Injury Insurance Regulations* of where we operate, and has formulated an occupational health and safety management system and *Occupational Health Management System* according to GB/T 28001-2011 *Occupational Health and Safety Management System*. The Group constantly strengthens the closed-loop management of occupational health PDCA (Plan, Do, Check, Act) and promotes the "life first" safety culture, thus creating a production safety atmosphere of "safety first, care for life, green environmental protection". During the Reporting Period, the Group's occupational health check coverage rate reached 100%.

The Group's occupational health management initiatives mainly include:

- Develop occupational health and safety management objectives, indicators and plans on a level-by-level basis;
- Regularly monitor the operating environment and set up prominent warning signs and instructions in work positions exposed to occupational disease risks;
- Establish occupational health check files for workers exposed to occupational disease risks, perform pre-working, working and post-working physical examinations, provide occupational health protection equipment and personal occupational health protection products, and guide the staff to properly use;
- Regularly check the safety protection devices of various production equipment and the conditions of dust and poison prevention facilities;
- Develop emergency rescue measures and statistical reporting system for occupational hazard accidents, and make immediate report and active treatment once it happens;
- Sound sanitation management system in place at the on-site canteen, valid health certificates required for cooks and govern their operations;
- A treatment room is set up in the office area equipped with stretchers, medical kits, medical gauze, disinfectant drugs and commonly used drugs;
- Distribute medicines for heatstroke prevention and body temperature lowering to each project during hot summer period;
- Adjust the working hours of on-site construction personnel in time according to seasons to ensure rest for personnel.

We stipulate that when a safety accident occurs, it must be reported to the responsible project management team immediately and circulated on a level-by-level basis. The person in charge of the project management team must rush to the site to monitor handling of the safety accident. During the Reporting Period, the Group had 5 accidents causing work-related injuries and 2 accidents causing death. After related accidents, we conducted a comprehensive review of the existing production safety system to enable us to perform our safety responsibilities more effectively and establish effective risk identification and management system, including:

- Care and assist relatives of personnel affected by accidents;
- Conduct comprehensive safety inspections on construction sites and take remedial actions;
- Enhance the inspection and maintenance frequency of internal office facilities;
- Conduct internal inspections and address identified safety problems;
- Further strengthen the psychological counseling for employees;
- Intensify safety training for project management personnel and field personnel.

3 INNOVATION IN SERVICES

Firmly adhering to the strategy of "strengthening foundation, business upgrade, exploring innovation and sustainable development", the Group has built various technology platforms to provide technical support for its development, transformation and upgrade, while further enhancing intrinsic value of the Group's brand of "Creator of Quality Projects, Integrity and Win-Win Partner".

3.1 Technological Innovation

Over the years, the Group has actively built all-member innovation platforms, increased investment in science and technology, carried out extensive cooperation with major universities and research institutes, and constantly strengthened innovation awareness including originality innovation, integrated innovation and re-innovation through introduction and absorption based on the principle of driving corporate development with innovative spirit.

Management Strategy

In order to improve the Group's ability to create excellence and make technological innovation, we have established a quality and technology system and implemented a management model at the three levels of the Group, subsidiaries and project departments to govern the management of science and technology innovation.

Apply BIM technology

- Strive for "area" coverage: widely apply mature BIM software for all projects to ensure the BIM technology utilization rate in the frontline is not lower than 50%
- Establish 6 key points for work and 7 goals
- Strengthen effect driven by "point": rely on the Pinggu Jinhai Lake prefabricated component project to carry out the BIM technology deep application pilot project of Beijing Branch

Strengthen excellence created in scientific and technological achievements

- Intensify the effort for launching quality construction: excellence indicators should be included in the internal operation contract for new projects that are evaluated to have the condition for creating excellence in the early stage
- Strengthen excellence created in the new regions and projects from new customers in the construction we undertake, so as to seek for long-term cooperation opportunities
- Strive for launching quality construction to win national level prizes such as Lu Ban Award and National Quality Project Award

Promote prefabricated component construction experience

- Rely on the Pinggu Jinhai Lake prefabricated component project to promote prefabricated component construction experience
- Primary experience includes: develop component hoisting solution for multi-story building group prefabricated component project and select reasonable support system suitable for multi-story building group prefabricated component project

Management Idea of the Quality and Technology System

During the Reporting Period, we revised *the Science and Technology Innovation Management System* and *the Workflow of Science and Technology R&D Project Management* to further standardize the Group's scientific and technological innovation and R&D management.

- Revise the science and technology management system, constantly optimize the information management system, and carry out innovation in management and system
- Perform target management, formulate annual technology plan at the beginning of the year and conduct appraisal at the end of the year
- Build a science and technology platform to provide technical services for the project according to its specific requirements before rendering service

New Technology Application

The Group has been actively carrying out R&D for prefabricated component construction technology, smart construction sites and BIM construction for a long time, and continued to promote the organic integration of different technologies into projects, driving the transformation and upgrade of the construction industry based on its advanced technologies.

Baoding Anyue Jiayuan Residence Affordable Housing Project (Phase I) Construction

The project is a prefabricated component (PC) residential building with the highest building height and prefabricated component rate in the Beijing-Tianjin-Hebei region. It adopts PC assembly integrated precast concrete shear wall structure. It has an aggregate gross floor area of approximately 73,750 square meters with 7 residential buildings, of which building NO. 1 and NO. 2 are the highest. It adopts cast-in-place concrete structure for the underground to the fourth ground floor, and adopts precast concrete component assembly for the fifth to twenty-seventh floor, with a PC rate of up to 61%, ranking top in the country for installation height and PC rate.

Domestic Freight Station Construction of Freight Facility Project in the Sixth Bidding Section of China Southern Airlines Base of Beijing New Airport

The project's "Smart Construction Site" management platform keeps complete records in the seven segments: project profile, production management, quality management, safety management, operation management, BIM construction and the integrated information management system, enabling the managers to respond to site situations immediately, improving work efficiency while further realizing lean management and risk management. The project will also introduce terminal equipment such as smart helmets and smart sprinkler system in the later period. A complete set of smart management systems will strengthen the implementation of various management requirements and work standards to achieve control of construction schedule.

During the Reporting Period, the Group increased its efforts in exploration of advanced technologies in the construction industry through not only conducting the research on structural system optimization of industrialized steel structure housing, but also carrying out the technical integration work for the research on the lean construction control technology of high-rise residential building with PC assembly shear wall structure.

Research on optimal structural system of industrialized steel structure residential building	• Conducted analysis and comparison from the three aspects of structural safety, economy and feasibility to adopt optimal structural system for low-rise, middle-rise, high-rise steel structure residential building • Formed a set of steel structure system application solutions suitable for different height ranges and different customer requirements
Technical integration for the Research on the Lean Construction Control Technology of High-rise Residential Building with PC Assembly Shear Wall Structure	• Completed research on 8 technologies including key technologies for precast wall grouting and sleeve connection in PC construction, accurate positioning technology for conversion layer wall reserved steel bars in PC construction, method for forming rough surface at wall area of cast-in-place slab in PC construction, etc. • Submitted 1 patent application and developed 5 corporate process technologies

3.2 Industry Leadership

We are committed to gradually increasing the amount of standard specification formulated and technologies with independent intellectual property rights, improving the level of process technology and fully promoting technology demonstration projects by cooperating with peers and leveraging on our experience, expertise and network, so as to continuously drive the overall progress of the construction industry. During the Reporting Period, we obtained 78 new patents with a total of 191 patents.

Industry Norms

The Group always attaches great importance to technical standardization and actively joins relevant industry associations such as China Construction Industry Association and China Association of Construction Enterprise Management to assist in formulating standard, specifications and process technologies at various levels, leading the technology and market development of the construction industry. During the Reporting Period, the Group participated in the formulation of 10 industry standards in aggregate, including the technical specification for airport terminal interior decoration (T/CBDA11-2018), the technical specification for information system of construction site supervision and management (JGJ/T434-2018) and the architectural design standard for building materials and decorative materials business venues (JGJ/T452-2018).

In addition, during the Reporting Period, the Group was granted the authorization to conduct the independent assessment of researcher-level senior and below engineers for professional titles in construction engineering by the Human Resources and Social Security Department of Hebei Province and the Human Resources and Social Security Bureau of Baoding. Since the Group has a large number of professional and technical personnel who have applied for titles, this independent assessment authorization has greatly facilitated the title application of the Group's professional and technical personnel. With strict exercise of the assessment authorization, we approved the title applications of 438 engineers, 107 senior engineers and 16 researcher-level senior engineers during the Reporting Period.

Industry Exchange

The Group actively participated in the learning and observation activities held by organizations such as construction industry associations at various levels and so on, and also supported the local competent authorities to hold social activities with characteristics of construction industry such as on-site observation, leaning and exchange, thereby building a communication platform and creating a community for the development of construction industry.

Standardized Safe and Civilized Site Observation Tour in Hohhot City

Construction Safety Risk Identification and Grading Management Observation Tour in Hebei Province

Construction and Production Safety, Dust Control Observation Tour in Shijiazhuang Runde Vanke Jade Park

Patent Model Exhibition of Hebei Construction Group

In order to create a technological atmosphere of advanced technology learning, efficiency improvement and brand building, the proposals for 137 patents were compared and evaluated by the Group, and 19 patents such as reinforcement protective layer thickness and slab thickness controller at hogging moment of steel reinforced concrete cast-in-place plates (鋼筋砼現澆板負彎矩鋼筋保護層厚度及板厚度控制器) were selected to display in the exhibition in the form of model. The launching of this activity raised a wave of pursuing innovation and benefits by engineers and technicians, accelerating the overall conversion of the Group's patented technologies and boosting the Company's transformation and upgrade.

3.3 Service Improvement

Customers' satisfaction is the source of growth of the Group. The Group strives to improve customer service experience by integrating customers' expectations and needs into products and services as well as making continuous efforts in many aspects such as customer communication, customer care and customer privacy protection.

Customer Service

The Group has established a three-level management organizational mechanism of the operation system, namely the Group Market Operation Department, subsidiaries' operation division, business managers of the project department and budget planners, so as to efficiently manage customer service work. Relying on the "All Round, All Processes and All Members" customer relationship management model, the Group has systematically built and maintained long-term good relationships with customers by always taking customer needs as the first priority in the whole life cycle of products.

During the Reporting Period, we revised *the Implementation Regulations on Management of Major Customers* to form a major customer system management model based on the major customer departments established by various responsible units and made more detailed requirements for the market development and maintenance management of major customers. Meanwhile, through management of major customer, the limited resources (personnel, time and cost) are scientifically allocated to major customers, thereby enhancing the market share of the Group in each field and the success rate of project signing and improving the overall profit structure.

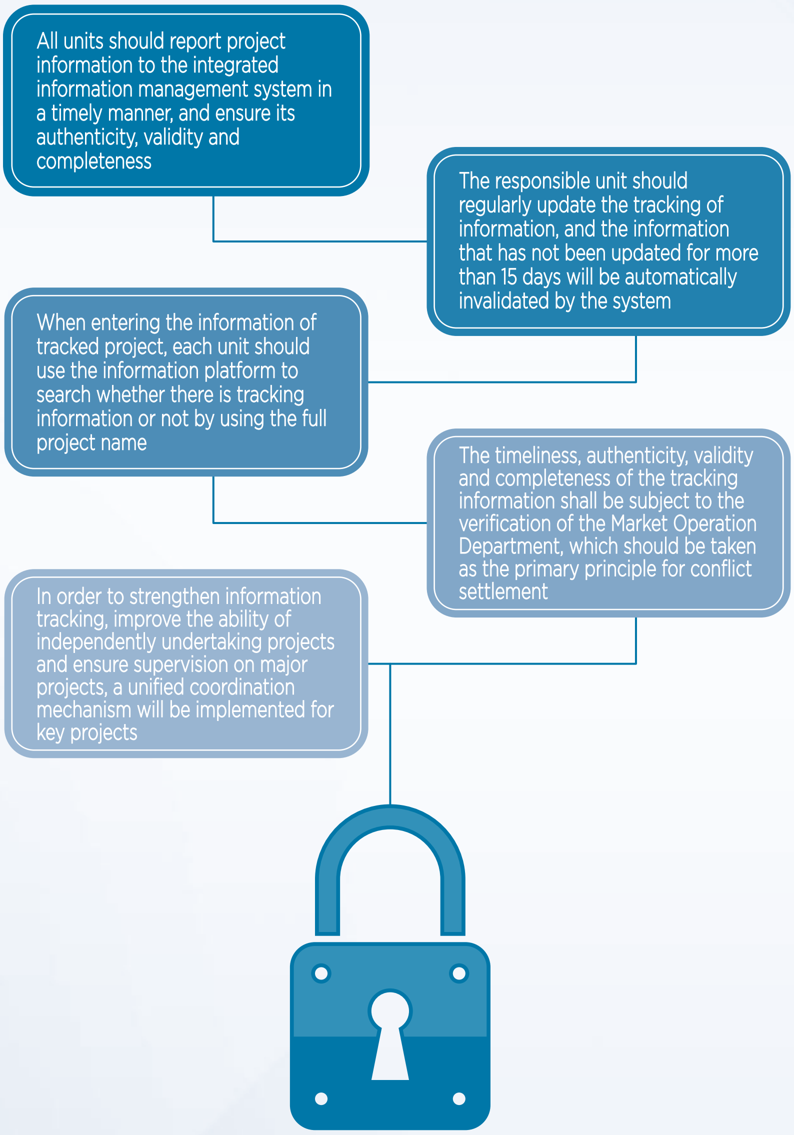
Customer Communication

Upholding the belief of "Grow with customers", the Group continued to improve its products and services through smooth and effective customer communication channels, and built a brand image of "Creator of Quality Projects, Integrity and Win-Win Partner" which led the development of strategic businesses and emerging businesses.

Opinion consultation	Improvement through analysis	Response to opinions
- questionnaire - visits to customers	- general issues such as quality of work and construction time of a project complained by a proprietor or a construction supervisor during construction process to the project department - issues raised by customers to us during construction process and on return visit or within the warranty period which have not yet been settled in time by the project department, as well as quality defects of a project	- delegated the engineering management department to attend complaints - make response within two hours, find out the underlying reasons of problems within 24 hours, and propose a solution within 48 hours - for general issues, we follow the project manager responsibility system; for client complaints, we set up a taskforce comprising the engineering and technology departments, production safety department as well as the project department - telephone follow-ups for knowing the effectiveness of complaint handling

Privacy Protection

In *the Code of Business Ethics and Code of Conduct of Hebei Construction Group Corporation Limited*, the Group clarifies the responsibilities for customer information management and the authority and procedures for the use of customer information by personnel at each position to fully protect customer information security. During the Reporting Period, the Group implemented certain restrictions on access to information management system to protect our business secrets and customer privacy information.



Adjustments to the access process of integrated information management system

4 GREEN ENVIRONMENTAL PROTECTION

The Group actively undertook the public responsibility for energy conservation, environmental protection and sustainable development through fully complying with various environmental protection requirements, continuously upgrading existing equipment and facilities and increasing effective investment in environmental protection, practicing the organic integration of green environmental protection and excellent quality in our every project.

4.1 Environmental Supervision

As the country pays more and more attention to ecological environmental protection, the Group has further intensified efforts for environmental management. The Group has formulated *the Environmental Protection Management System* in strict compliance with the requirements of laws and regulations such as *the Environmental Protection Law of the People's Republic of China, the Law of the People's Republic of China on Prevention and Control of Water Pollution* and *the Law of the People's Republic of China on Prevention and Control of Atmospheric Pollution*. We stringently control the impact of building construction or operation on environment through improving internal environmental management system, implementing environmental compliance supervision, conducting regular employee training on environmental protection, formulating environmental emergency plan and project environmental management and control.

4.2 Green Construction

Green construction is an important part in the whole life cycle of a building, and is the embodiment of the concept of sustainable development in project construction. Upholding the integration of green into the building to practice green construction in all aspects of construction projects, the Group prepared *the Special Plan for Green Construction* to further promote green construction. The Group has established a green construction assurance system which sets up the "four savings and environmental protection" (i.e. savings of energy, land, water, materials and environmental protection) goals and the measures to achieve them, ensuring that equal weight is given to preliminary planning and process control, so as to create resource-saving and environment-friendly construction sites.

Waste Discharge

In order to control all types of waste generated in all activities, products and services of the Group, we have established a specific waste management system that clarifies the requirements for classification, collection, storage, transfer and disposal of waste:

- Formulate a construction waste reduction plan and develop measures to enhance the control of waste source
- Closed garbage containers are set in the living area of construction sites, and the domestic garbage is bagged and timely cleared
- It is strictly forbidden to burn garbage on site or backfill toxic and hazardous waste on site
- The toxic materials and articles such as oil and chemicals stored at construction sites shall be stored in special warehouse, and the ground of the warehouse shall be treated with seepage prevention. Discarded oil and chemical solvents should be treated in a centralized manner and should not be dumped randomly

The non-hazardous waste generated by the Group during construction mainly included construction waste and office domestic waste. In the meanwhile, we recycled construction waste, improved the reuse rate of rubble and earth-rock construction waste by means of foundation landfill and paving, and the amount of construction waste recycled during the Reporting Period reached 170,449 tons. The Group's non-hazardous waste discharge data is as follows:

Type		Unit	2017	2018
Non-hazardous waste*1	**Total volume**	Ton	2,097,299	1,719,061
	Intensity	Ton/RMB10,000 total revenue	0.51	0.37

1. The non-hazardous waste generated by the Group includes office waste, domestic waste and construction waste

Waste Water Discharge

The Group attaches great importance to wastewater discharge management and is committed to reducing waste water generation and discharge through source control. Meanwhile, we have developed the following management requirements for potential water pollution problems:

- Set up treatment facilities for various sewage at the construction site. The waste water is recycled or used for watering and dust reduction after secondary precipitation

- Protect the groundwater environment by adopting the slope support technology with good performance of water insulation; and groundwater recharge is carried out to avoid groundwater pollution when the pumping amount of foundation pit excavation is more than 500,000 m^3

Dust management

As a construction enterprise, dust pollution is the top priority in the environmental management of the Group. We have established strict management requirements in this regard:

- Tight enclosure measures (such as covering cloth, container, bag, etc.) must be taken to transport earthwork, garbage, equipment and building materials, and the exits of the construction site should be equipped with vehicle-washing facilities and the washing water should be recycled

- Dust reduction measures should be taken during building demolition, such as cleaning up dust, watering for demolished body, setting up partitions, etc.

On-site Observation of Dust Control by the Housing and Construction Authorities of Baoding City

The on-site observation of the dust control by the housing and construction authorities of Baoding City was held at the construction site of the Hebei University Comprehensive Experimental Building Project undertaken by the Third Branch of Hebei Construction Group Corporation Limited. The dust control work of the project was well recognized by leaders present at the observation, and was taken as a model of Baoding City for other enterprises to learn. The project manager introduced the project's initiatives on environmental management: comprehensively implementing the "four savings and environmental protection" green construction, especially a combination of setting $PM_{2.5}$ and PM_{10} real-time monitor, dust solidifying, greening, landscaping measures to ensure compliance of construction dust control, which was praised by all observation members.

Environmental Protection Facilities Upgrade of the Concrete Branch of Hebei Construction Group Corporation Limited

During the Reporting Period, each sub-branch of the Concrete Branch of the Group conducted environmental protection facilities upgrade to ensure normal supply while carrying out production. In accordance with the requirements of the environmental protection authorities, each sub-branch increased the investment in environmental protection facilities for improving the enclosing shed of gravel yard, complete enclosing for the powder silo in the mixing station, renovating the dust reduction and spraying devices of gravel shed, and purchasing sprinkler and dust-suppressing equipment and the automatic tire washing facilities, with an accumulated investment of approximately RMB17.8 million.

Noise Management

We strictly require construction sites to formulate noise reduction measures according to the requirements of *the Emission Standard of Environment Noise for Boundary of Construction Site*, and detect and record the noise at the boundary of construction site to carry out renovation for noise reduction, so as to minimize the impact on the surrounding environment. The Group's noise management initiatives are as follows:

- Use equipment with low noise and low vibration, take sound and vibration isolation measures to avoid or reduce construction noise and vibration

- Strong noise equipment at the construction site should be located away from the hospital, school and residential area. Related operations should be enclosed or semi-enclosed, and the time of operation should be controlled

Light Pollution Management

In respect of the light pollution problem, we conduct stringent compliance evaluation annually and have formulated the following management regulations:

- The Group requires the project to avoid or reduce nighttime construction as much as possible. If necessary, the outdoor lighting should be equipped with a lampshade and the light direction should be concentrated within the construction scope

- Covering measures should be taken for electric welding to avoid leakage of welding arc

Energy Management

The Group not only practices green in the construction of conventional projects, but also adopts various measures and equipment in all aspects of living and office activities to achieve energy saving.

Energy-saving Management

- Formulate reasonable construction energy consumption indicators, improve construction energy utilization by prioritizing the use of energy-saving, efficient and environmentally-friendly construction equipment and tools recommended by the government and the industry
- Set the respective electricity consumption control indicators for production, living, office and construction equipment at the construction site, and regularly conducts measurement, check, comparative analysis, and has preventive and corrective measures in place
- During the organization of construction, the construction sequence and working surface are reasonably arranged to reduce the number of tools in the working area, and the shared machine resources are fully used by the adjacent working areas
- When arranging the construction process, priority should be given to the construction process that consumes less electricity or other kinds of energy
- Make full use of renewable energy such as solar energy and geothermal energy according to local climate and natural resource conditions
- Temporary facilities should be made of energy-saving materials, walls and roofs should be made of materials with good thermal insulation properties, and the heating, air-conditioning and fans should be reasonably configured and used in different sections and periods
- The lighting design is based on the principle of minimum illumination, and the illumination should not exceed 20% of the minimum illumination

During the Reporting Period, we made full use of renewable resources such as solar energy and various types of energy-saving equipment, and carried out a series of new initiatives in energy saving.

Temporary electricity consumption

- Solar lights are used for on-site lighting in the project department, solar water heaters are used in office areas and living areas
- Energy-saving lighting fixtures such as LED energy-saving lamps, solar road lamps, sound control and light control lights are adopted for temporary electricity consumption. The configuration rate of on-site energy-saving equipment reaches 100%, and the "Saving Electricity" sign is posted
- The project department adopts comprehensive control technologies in the staff quarters and living areas, including low-voltage lighting system, area-specific time-limited and power-limited measures, USB socket low-voltage plug-in board and unified charging cabinet, which are safe and energy-saving

Temporary facilities

- The temporarily built color steel plate house and temporary road in the project's office and living area adopt prefabricated structure, which is convenient for demolition and can be reused for many times, thereby achieving energy saving
- The office and living areas adopt warm insulated color steel plate houses, fully enclosed exterior corridors and suspended ceilings within all the plate houses to reduce loss of energy

Equipment and facilities

- Establish construction machinery and equipment management system, conduct repair and maintenance timely, keep machinery and equipment in a condition with low energy consumption and high efficiency, carry out electricity and oil consumption metering and improve documentation of equipment
- Select construction machinery and equipment with matching power and load to avoid long-term low load operation of high-power construction machinery and equipment
- Arrange the process reasonably to increase the utilization rate and full-load rate of various machines, and to reduce the unit energy consumption of various equipment

The Group's energy consumption data is as follows:

Type		Unit	2017	2018
Direct energy consumption	**Petroleum**	litre	5,104,844	4,404,372
	Diesel	litre	26,725,579	30,493,885
	LPG	ton	73,440	50,715
	Kerosene	ton	4,904	249
Indirect energy consumption	**Purchased electricity**	kWh	123,329,759	102,255,567
	Purchased thermal power	Million kJ	6,767	7,025
Total energy consumption		ton standard coal	189,033	142,135
Energy intensity		ton standard coal/RMB10,000 total revenue	0.05	0.03
Scope 1 GHG*[1] emissions		tCO_2 -eq	319,375	240,864
Scope 2 GHG*[2] emissions		tCO_2 -eq	105,853	80,612
Total GHG emissions		tCO_2 -eq	425,228	321,476
Scope 1, 2 Emission intensity of GHG		tCO_2 -eq/ RMB10,000 total revenue	0.10	0.07

1. Scope 1 – GHG comes from the combustion of petroleum, diesel, kerosene and LPG;
2. Scope 2 – GHG comes from the use of purchased electricity and purchased thermal power.

Water Management

The Group has established a strict water resources management system to regulate water use and improve water use efficiency.

Water-saving Management

- Water metering management should be implemented at the construction site to strictly control the water use during the construction phase
- Water-saving domestic water appliances must be used for production and domestic water on the construction site, and obvious water-saving signs should be set at the water source
- Improve water use efficiency: water recycling; road spraying, green watering and vehicles cleaning at the construction site should preferably use non-traditional water sources or secondary water; water pipe network at the construction site should be designed according to water consumption with reasonable pipe layout and simple piping
- Non-traditional water use. Unconventional water sources refer to sources other than traditional municipal water supplies, including reclaimed water, rainwater and seawater
- Effective water quality testing and sanitation measures should be maintained during the use of non-traditional water sources and on-site recycled water

The Group's water use data is as follows:

Type		Unit	2017	2018
Water consumption	**Water consumption volume**	Ton	13,071,196	13,905,600
	Water consumption intensity	Ton/RMB10,000 total revenue	3.17	2.98

Building Materials Management

The Group uses a wide range of building materials during the construction process, mainly including concrete, mortar and steel. In order to save resources and improve resource utilization, we have adopted the following management methods for saving materials:

Materials Saving Management

- Optimize the construction plan, use green materials, and actively facilitate reasonable application of new materials and new processes
- When reviewing the drawings, the relevant content of material saving and material resource utilization should be reviewed to ensure that material consumption rate is 30% lower than the fixed consumption rate
- Arrange reasonable procurement and arrival time as well as batch of materials to reduce inventory according to the construction progress, turnover time of materials, inventory, etc.
- Stack the materials on site in an orderly way and in suitable environment, adopt appropriate loading and unloading method to avoid and reduce secondary handling; keep the turnover materials in a good condition and take technical and management measures to improve the turnovers frequency of the formwork and scaffolding

The Group has experienced several green construction inspections by the competent authorities and was awarded honors. In particular, the Beijing Eighth Branch of Hebei Construction Group Corporation Limited received environmental protection fund awards from the Beijing Economic and Technological Development Area, and the Zhengzhou Xiliu Lake Country Garden project of the Shijiazhuang Branch of Hebei Construction Group Corporation Limited was awarded the title of "Advanced Unit" for dust control for three times. During the Reporting Period, our four projects were admitted in the plan of launching the second batch of green construction demonstration projects of 2018 of Hebei Province, and four projects passed the interim acceptance assessment of the green construction demonstration projects of Hebei Province.


Baoding City Maternal and Child Health Hospital Relocation and Construction Project


Anyue Jiayuan Residence Affordable Housing Project (Phase I)


Swimming Pool, Multi-purpose Hall and Sports Ground with Roof in the Science and Technology Education Park of Hebei University


Hebei University Comprehensive Experimental Building Project

Projects admitted in the plan of launching the second batch of green construction demonstration projects of 2018 of Hebei Province


Swimming Pool, Multi-purpose Hall and Sports Ground with Roof in the Science and Technology Education Park of Hebei University


Hebei University Comprehensive Experimental Building Project


Construction of Domestic Freight Station of Freight Facility Project in the Sixth Bidding Section of China Southern Airlines Base of Beijing New Airport


Guan County People's Hospital Relocation and Complex Construction Project

Projects passing the interim acceptance assessment of the green construction demonstration projects of Hebei Province

5 EMPLOYEE RELATIONS

Human resources are the Company's most valuable assets. The Group takes "Humility, Integrity, Progress, Passion and Innovation" as guidelines for the staff. The Group provides clear provisions on recruitment management, development, promotion, welfare, care and other employment matters to create a diversified working atmosphere without discrimination and fully protect the legitimate rights and interests of employees. We aim at allowing all our employees to gain personal growth by working in the Group.

5.1 Overview of the Employee

In order to achieve a more fair and efficient human resources management, the Group has formulated *the Employee Recruitment and Employment System, the Remuneration Management Measures* and *the Employee Education and Training System* according to the requirements of *the Labour Law of the People's Republic of China*, *the Employment Promotion Law of the People's Republic of China*, *Social Insurance Law of the People's Republic of China* and *Labor Dispute Mediation and Arbitration Law of the People's Republic of China*. The human resource system regulates corporate management and behavior of employees, safeguards the legitimate rights and interests of both the Company and employees and builds a harmonious and stable labor relationship, thus promoting the healthy development of the Group and realizing governance on the whole process of human resource management of employee recruitment, dismissal, attendance, salary, performance and training.

Recruitment Management

The Group adhered to the ability-based recruitment principle and strived to identify the best candidates. Meanwhile, we strictly reviewed the identity information of employees to prevent the occurrence of child labor, and the Group did not have any employment of child labor during the Reporting Period.

During the Reporting Period, the Group summarized and analyzed the *Recruitment and Employment System* and established clear provisions on the recruitment qualifications for employees of different types of work (such as management trainees, logistics service personnel, production and operating personnel, etc.), and defined the Unified Employment Workflow and Temporary Employment Workflow, giving more clear and effective guide for recruitment and employment work.

- In terms of campus recruitment, we continued to maintain good communication with existing universities while conducting survey on other potential universities, and actively carried out campus presentations and recruitment activities.

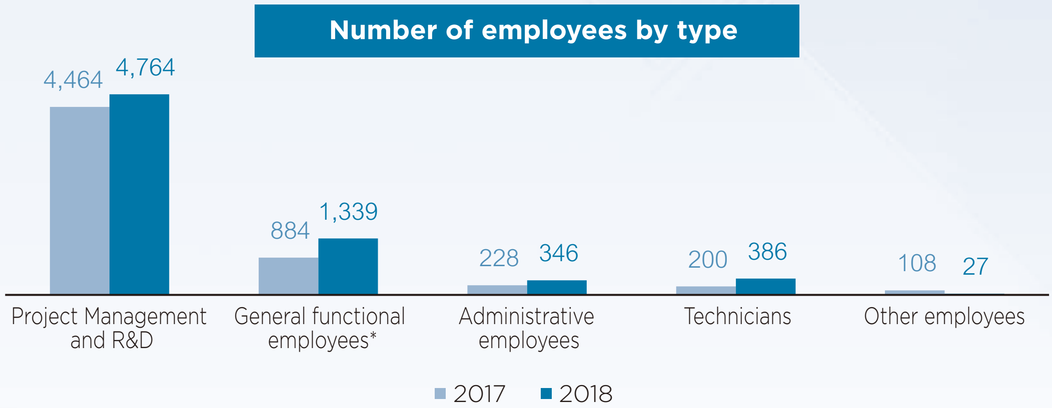
- In terms of attracting professional talents, during the Reporting Period, the Group consolidated its talents in critical and scarce positions and increased recruitment for securities, finance and law talents while ensuring the recruitment of various types of compound talents including project managers and business managers, so as to cope with the needs of the Group for future development strategy.

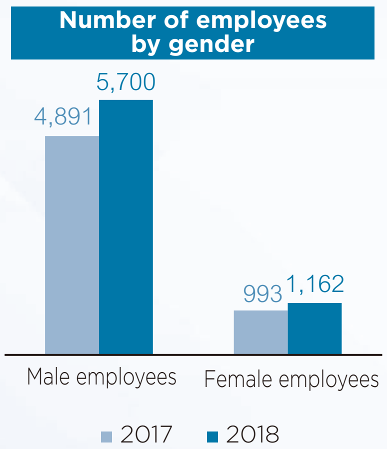
Employment Management

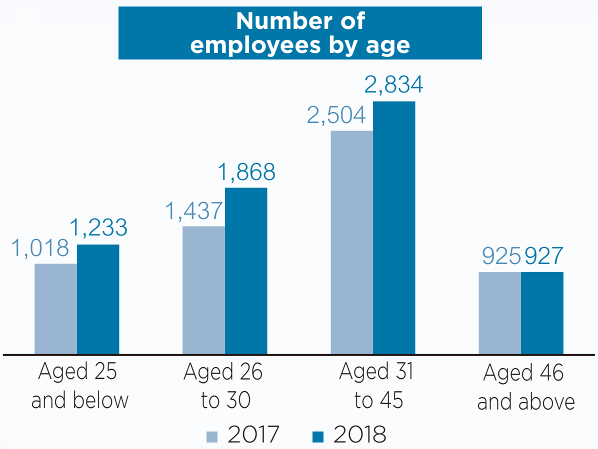
In the process of employment, we strive to manage the protection of employee rights and interests. We know the working hours of employees through card swiping at gate machine to avoid forced labor. We also encourage diversity of employees' backgrounds and forbid discriminatory treatment by gender, age, culture or race. During the Reporting Period, the Group had not experienced any forced labor, and 100% of the Group's employees were covered by social security and have signed labor contracts.

Distribution of the workforce

As of 31 December 2018, the Group had a total of 6,862 employees, an increase of 16.62% over the previous reporting period.





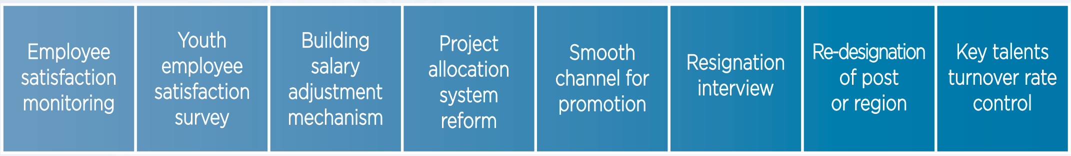


*: The employees of the general functions refer to employees of human resources, legal affairs, audit and finance, market operation departments

Unit: person

Turnover rate management

Reducing the turnover rate of employees, especially of key talents, is crucial to the healthy development of the Group. The Group adjusts the direction of human resources management in a timely manner and adopted a series of measures to control the turnover rate of the year.



Turnover rate control measures

During the Reporting Period, the Group's employee turnover rate was 5%.

5.2 Employee Development

The growth and development of employees is the cornerstone of the Group's achievement today. We actively assist employees to improve their skills and offer various career development opportunities, enabling them to realize their own ideals and ambitions.

Employee Training

The Group attached importance to corporate culture building and strives to improve the overall quality of its employees through further implementing *the Training Management System*. During the Reporting Period, the Group continued to conduct employee training in an all-round way based on the "Three tiers, Four levels and Five Links" employee training management system. We have also set up a reserve talent development fund to enhance the professional skills, career planning, academic qualifications of the talent pool and to purchase their professional books and courses.

Training of New Employees of 2018

In order to allow new employees to integrate into our "Big Family" as soon as possible and feel the warmth of the "Family • People" culture, in July 2018, the Group held a five-day new employee induction training for newly recruited college graduates to communicate the corporate culture, strategic planning of the Group, excellent performance management, systems and work processes of the Group, and knowledge on safety, laws and human resources.

Compared with the previous year, this training innovatively introduced processes such as the new employee oath and study of Chinese ancient civilization, and achieved satisfactory result. Through this training, new employees further understood our corporate culture and learned basic work knowledge, thus laying a foundation for their work in the future.

Meeting in the new employees training

Closed Training before Constructor Examination

In order to improve the effectiveness of the constructor exam training and ensure passing rate of the exam, the Group offered a 35-day closed training for nearly 400 participants preparing to take the Constructor exam. The training was divided into two phases: intensive and sprint lectures. The intensive training was from 21 June to 29 June 2018, and the sprint phase was from 21 August to 15 September 2018.

With the significant effects of the closed training, the participants continued to maintain the momentum of high pass rate with a total of 360 people passing the exam. The pass rate was over 35%, which was much higher than the national average.

Closed Training Site

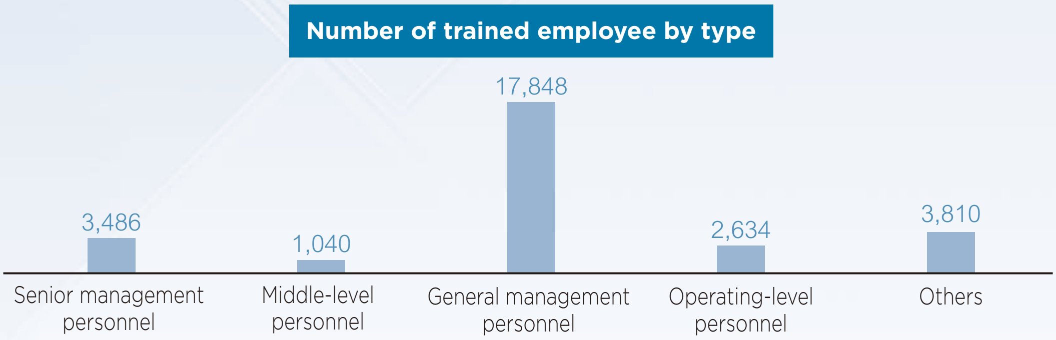
Financial Knowledge Training

The Group organized more than 400 financial personnel to participate financial knowledge training from 23 to 24 May 2018. The training focused on the sharing of implementation plan for the application of completion percentage method and completion experience of the PBC form ("Provided by Client") and large forms of projects, as well as explanation and understanding of policies on research and development expense deduction and VAT accounting deduction and other related policies.

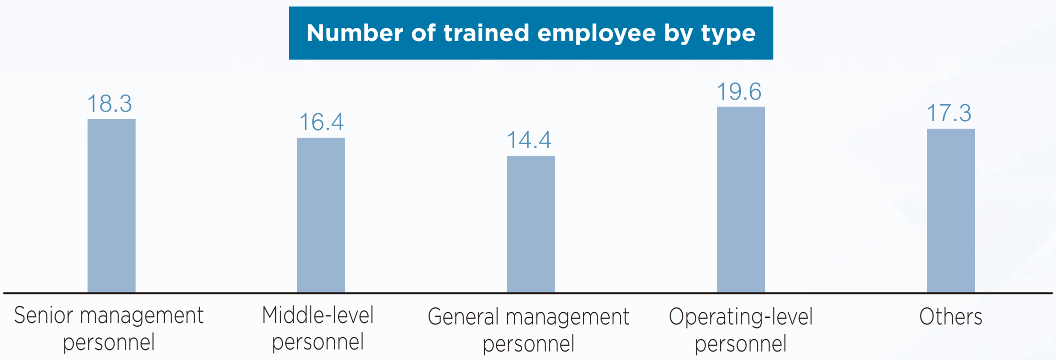
Through this training, the participants have learned and absorbed the latest financial knowledge and fully applied it in their work, contributing to the further improvement of the Group's financial work.

Financial Knowledge Training Site

During the Reporting Period, the Group invested a total of RMB3.4035 million for employee training with an accumulated training time of up to 69,794 days, a total of 28,818 trained people and average training hours per employee of 19.38.



Unit: number of people



Unit: hour

Career Development

The Group expects to offer each employee opportunities for promotion and development based on personal ability and work experience. The Group formulated *the Human Resources Management System* and other related systems to standardize the employees' performance appraisal principles, methods and performance appraisal approving process. The corresponding department gives a score in the Performance Appraisal Form based on the employee's current performance.

The Group conducts talent selection and promotion assessment in an open and fair manner. In the promotion assessment, a special assessment taskforce comprised of his/her immediate leaders will assess the employee in terms of working years, academic level, personal qualification certificate, academic papers (process technology) and individual performance by filling out the Promotion Appraisal Form. For management personnel in key positions, we will also conduct an encrypted assessment of their working quality and efficiency.

In order to broaden the talent selection channels, identify and cultivate the Group's own talents to cope with our future construction as well as to provide them with sufficient support, during the Reporting Period, the Group carried out the selection and cultivation of management trainee and young backup cadres, and launched Youth Entrepreneurship Program to assist the entrepreneurship activities of employees and promote their growth.

Recruitment of Management Trainee

- During the Reporting Period, the Group strategically implemented the Management Trainee Scheme for the first time.
- The main purpose of the scheme is to attract and cultivate a group of high-quality talents for key positions in the future, and to conduct specific training on the postgraduate from famous universities with high capability and huge potential, providing platform and opportunities to allow them to grow rapidly and undertake important tasks.
- Based on the principle of pursuing excellence, we arranged designated personnel to recruit staff from universities in Xi'an, Tianjin, Harbin, etc., and organized the second round of interviews and one-on-one talks.
- During the Reporting Period, we have entered into contracts with fresh graduate management trainees. After the management trainees of 2019 are official graduated and start to work, we will develop individual tailored training program based on their positions to help them grow as soon as possible.

Selection and Cultivation of "Top 100 Backup Cadres" for Key Post Successors

- In April 2018, the Group issued and implemented *the Selection Plan for "Top 100 Backup Cadres" for Key Post Successors*, hoping to cultivate a group of internal well-trained talents with extensive experience and management skills to take up key positions in the future.
- We conduct a comprehensive evaluation of candidates through four processes: materials review, comprehensive quality scoring, personal ability display and personal ability test by third-party professional assessment.
- After nearly three months of selection, the Group selected 100 outstanding backup cadres among the 400 candidates and arranged them to participate in the third-phase course of the Business School of Tsinghua University in July for further cultivation.

Youth Entrepreneurship Program

- The Group issued *the Implementation Regulations on the Administration of Youth Entrepreneurship Program* to encourage innovation and entrepreneurship practice by young people with excellent abilities and willingness, and provided support and guidance through the Youth Entrepreneurship Fund to promote the success and grow-up of the Company's young employees, thus driving the Group's sustainable, healthy and steady development.
- During the Reporting Period, the Group had 66 organizations under the Youth Entrepreneurship Program, achieving a new contract value of RMB10.3 billion, an output value of RMB2.4 billion and 112 construction projects under management.

"Top 100 Backup Cadres" Selection Site

5.3 Care for Employees

The "Family • People" culture provides a guarantee for our team cohesion. During the Reporting Period, the Group continued to deepen the communication and exchange with employees, and enhanced the balance between work and life of employees through offering welfare and security and holding a variety of employee activities.

Communication with Employees

In addition to communication and reporting in the daily work, the management of the Group also conducted two-way communication and exchanges with employees through various regular work meetings (including operation and management meetings with the President, special meetings and departmental work meetings, etc.), annual staff meeting and staff symposium.

The Third Meeting of the Fourth Session of Staff Representative Congress

In order to provide young employees with effective communication channels to directly give feedback to the Group's headquarters, since 18 April 2018, the Group has carried out the "evaluation on the satisfaction of new employees recruited in the last three years with the units they work in". We have conducted anonymous survey on the employees recruited in the last three years in such aspects as working environment of the units they work in, job compensation, corporate culture and career development to understand employees' current situation and their inner needs. The results of the survey was directly reported to the Group's headquarters and the management of subsidiaries, seeking to find problems and make improvement in a timely manner so as to achieve the goal of retaining outstanding young employees. The survey had a participation rate of up to 95%. The comprehensive satisfaction of young employees for the reporting period from January to June was 84.60% and 86.97% from July to December, indicating that various aspects of the youth satisfaction were gradually improving.

Employee Incentive

The Group takes full advantage of the compensation incentive mechanism and has established a compensation system that is consistent with the market competition mechanism and matches with the Group's strategy. The Group strives to determine employees' salary based on their job position, performance and ability with the principle of "dependent on value contribution, responsibility, performance and market while ensuring internal fairness".

During the Reporting Period, we adjusted the whole staff' salary level with an overall average increase of approximately 39%, significantly improving the satisfaction of all staff with the Group and the competitiveness of its compensation.

Employee Activity

Employee activities are an important carrier for promoting corporate culture. The Group continued to carry out a variety of employee activities and provided consolation and assistance to individuals in difficulty. During the Reporting Period, the Group invested a total of RMB512,900 to provide aid fund to 134 employees in difficulty.


Memorial on Qingming Festival


Employees Outreach Activity


Dating and Making Friends


Consolation Performance


Fun Games


"The Most Beautiful Youth in Striving" Speech Contest


Basketball Competition


Employees' Long-distance Race


The Second Exhibition of Paintings , Calligraphy and Photography


Award Scholarships to Children of Employees with Outstanding Examination Results for Senior High School and University


Consolation to Employees


Recognition and Awards for Employees

"Bridge for Expressing Heart Care to Parents in Hometown" Campaign

On the eve of the Mid-Autumn Festival in 2018, the Inner Mongolia Branch of the Group held the "Bridge for Expressing care to Hometown" campaign, through which the Group sent a letter, a photo of the employee and a piece of newspaper of the Group to the parents of more than 70 employees employed in the last three years, showing their personal growth to bring comfort to parents.

Employees' Letters for Parents

The campaign is an important initiative to shape the "Family • People" culture of the Group and offer humanity care to employees, building a bridge between employees and their hometown and reducing the psychological distance between employees and the Group.

6 HELPING THE COMMUNITY

While delivering high quality construction projects and creating economic benefits, the Group also has made contributions to the communities where we operate by actively participating in various charity activities for many years, so as to maintain a harmonious and close relationship with communities and help create a warm atmosphere for communities. During the Reporting Period, the Group incorporated social welfare contribution (including public welfare undertakings such as rescue and disaster relief and poverty alleviation) into the *Letter of Responsibility for Targets of Operation and Management*, integrating the social welfare practice with the economic rewards to motivate all employees to contribute to the community through devotion to charity activities.

Precise Poverty Alleviation

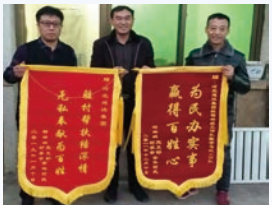
As poverty alleviation has gradually become the governance focus of the government, the Group's headquarters and all its subsidiaries have responded actively to the country's "precise poverty alleviation" and "precise poverty elimination" policies by firmly implementing the "precise" strategy in poverty-stricken villages across the country to make contribution to the poverty reduction undertaking of China.

Hebei Province

Organized experts to provide free medical advice at Bolincheng Village, Jiulong Town, Laishui County

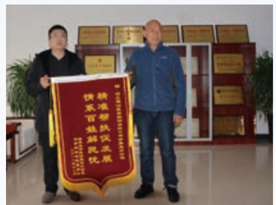
Participated in the Zhaoqing City Construction Enterprise Poverty Alleviation Fundraising Symposium and donated RMB10,000

Visited the extremely underprivileged people in Zhengnanying Village and gave consolation supplies and funds



Donated RMB100,000 for the renovation of old villages and infrastructure construction, and organized one-on-one assistance to 39 poor households in Bolincheng Village

Donated RMB5 million for the poverty alleviation and environmental improvement projects in Fuping County



Purchased apples with a value of RMB20,000 from impoverished households with poor sales of apples in Qinglong County, Qinhuangdao City

HCG Installment Engineering Co., Ltd. was granted the title of the Advanced Model of Poverty Alleviation of Laiyuan County

HCG Installment Engineering Co., Ltd. was granted the title of the Advanced Construction Unit of Poverty Alleviation of Laiyuan County

Tibet Autonomous Region

Conducted a charity campaign to offer aid for students and care for the elderly in the Qiujima Center School of the Aba Tibetan and Qiang Autonomous Prefecture, and donated supplies

Organized education charity activities in Tibetan areas for three consecutive years

Tianjin

Tianjin private entrepreneurs helped their hometown get rid of poverty

Shaanxi Province

Donated funds to Tianda Primary School in Changning Town, Wugong County, Shaanxi Province

In addition to donations and consolations, we leveraged on our strengths as an enterprise in the construction industry to provide poverty alleviation housing for underprivileged people and carry out poverty alleviation relocation construction and old house renovation projects, so as to provide essential help to underprivileged people through improving their housing conditions and living levels.

The Group actively responded to the government's poverty alleviation initiative, and entered the poverty-stricken areas at the earlier stage to assist the local government. During the Reporting Period, we built 46 public welfare housing projects with a total gross floor area of 3.05 million square meters.

Laiyuan County Poverty Alleviation Relocation Project

Anyue Jiayuan Residence Affordable Housing Project (Phase I) Construction

Poverty Alleviation Relocation and Integration Project in Fudong New District, Fuping County

Xiajin County Shantytown Renovation Project and Old House Renovation Project in Luozhuang District, Linyi City

The Second Phase Construction Project of the Public Rental Housing Project of "Saiwai Anju New City" (塞外安居新城) in Xincheng District, Hohhot

Hong Tai Court F District Affordable Housing Project

Charity

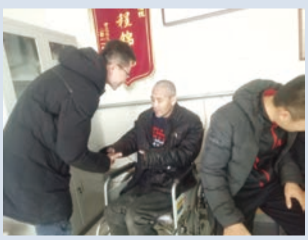
The Group encourages employees to enter the community to understand their needs, maintain good relations with the community and take part in public welfare activities with practical actions, so as to build a harmonious community for residents. During the Reporting Period, the Group practiced various forms of public welfare and effectively met the needs of different groups of people in the community with a wide range of activities, thus giving back to the society through continuous support for the community.

Zhalaite Banner (扎賚特旗) Project Department of Inner Mongolia Branch of Hebei Construction Group Corporation Limited cooperated with local village to improve environment

The Zhalaite Banner Project Department of Inner Mongolia Branch of the Group cooperated with the local village to improve environment. 5 dump trucks, 1 handcart and 1 excavator were invested to improve the street environment of Xinlin Village, and RMB250,000 was utilized to thoroughly remove the garbage piled up for several years on the street of Xinlin Village. A total of 12,000 cubic meters of garbage was cleaned away, and 15,252 cubic meters of earthwork was filled, and the sidewalks on both sides of the street were paved.

住建工作信息

The Installation Branch of Hebei Construction Group Corporation Limited offered care to the Baigou Tianyi Happy Home for the Elderly



On the eve of the Spring Festival, National Day and Mid-Autumn Festival, the Installation Branch of the Group visited the Tianyi Happy Home for the Elderly in the Yihezhuang Village, Baigou New Town, Baoding City to offer care to Baoding's philanthropy model Zhou Weimin and the elderly without family or with physical disability taken care by him for free, and donated supplies.

Beijing "Spring Breeze Brings Warmth" Public Welfare Project

The Beijing Fourth Branch of Hebei Construction Group Corporation Limited participated in the donation activity of the "Spring Breeze Brings Warmth" public welfare project in Beijing, and donated a total of RMB1 million. In this donation activity, the company was praised by the Disaster Relief Donation Receiving Management Center of Haidian District, Beijing for its contribution to carrying forward the traditional virtues of the Chinese nation.

"Charity Donation" Warming Campaign at the Huashan Village Primary School in Caonian Town, Qinglong County

The Qinhuangdao Branch of Hebei Construction Group Corporation Limited and Qinhuangdao City Tendering and Bidding Association jointly carried out the "Charity Donation" Warming Campaign at Huashan Village Primary School in Caonian Town, Qinglong County, aiming to offer education aid to children, warm their heart and help them realize dreams by donating clothes, books and other supplies.

Inner Mongolia Branch of Hebei Construction Group Corporation Limited Daqingshan Environmental Protection Public Welfare Activity

The Inner Mongolia Branch of the Group went to the Daqingshan National Hiking Trail and Fitness Base in Hohhot to hold an environmental public welfare campaign with the theme of "Being a Disseminator of Civilized Behavior, Protecting Clear Water and Green Hills". The campaign was carried out in the form of mountaineering. During the climbing process, employees consciously cleaned up the white garbage in the mountain to practice environmental protection.

The Project Department for the Construction of "Mass Entrepreneurship and Innovation" Incubation Center in Chengnan New District, Fuyang City set up a support service station for college entrance examination

A support service station for college entrance examination was set up by the project department for the construction of "Mass Entrepreneurship and Innovation" Incubation Center undertaken by the Second Branch of Hebei Construction Group Corporation Limited in Chengnan New District, Fuyang City, to provide free drinks, heatstroke prevention drags and sunshade resting place for students and parents. Since the construction site was adjacent to the new campus of the Third Middle School of Fuyang City, the project department allocated an area in the site as a free parking lot to alleviate the traffic pressure around the school, and set up a toilet and resting place for parents. Such an action was well recognized by students and parents.

Lanzhou Tourism Port·Central Masion Project Department donated supplies for local flood victims

Given that the central and southern regions of Gaolan County, Lanzhou City suffered flood due to heavy rains, the project department for Lanzhou Tourism Port·Central Masion donated 100 sets of daily bed necessities to the flooded area.

APPENDIX I: LIST OF LEGAL REGULATIONS AND INTERNAL POLICIES

Legal Regulations

Anti-Unfair Competition Law of the People's Republic of China (《中華人民共和國反不正當競爭法》)
Trademark Law of the People's Republic of China (《中華人民共和國商標法》)
Patent Law of the People's Republic of China (《中華人民共和國專利法》)
Construction Law of the People's Republic of China (《中華人民共和國建築法》)
Regulations on the Quality Management of Construction Projects (《建設工程質量管理條例》)
Production Safety Law of the People's Republic of China (《中華人民共和國安全生產法》)
Law of the People's Republic of China on the Prevention and Control of Occupational Diseases (《中華人民共和國職業病防治法》)
Administrative Measures for Occupational Health Inspection (《職業健康檢查管理辦法》)
Work-related Injury Insurance Regulations (《工傷保險條例》)
Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》)
Law of the People's Republic of China on Prevention and Control of Water Pollution (《中華人民共和國水污染防治法》)
Law of the People's Republic of China on Prevention and Control of Atmospheric Pollution (《中華人民共和國大氣污染防治法》)
Emission Standard of Environment Noise for Boundary of Construction Site (《建築施工場界環境噪聲排放標準》)
Labor Law of the People's Republic of China (《中華人民共和國勞動法》)
Employment Promotion Law of the People's Republic of China (《中華人民共和國就業促進法》)
Social Insurance Law of the People's Republic of China (《中華人民共和國社會保險法》)
Labor Dispute Mediation and Arbitration Law of the People's Republic of China (《中華人民共和國勞動爭議調解仲裁法》)

Internal Policies

Letter of Responsibility for Targets of Operation and Management (《目標管理經營責任書》)
Code of Business Ethics and Code of Conduct (《商業道德規範與行為準則》)
Appraisal Standards for Quality Excellence of Engineering Projects of Hebei Construction Group (《河北建設集團工程質量優良評定標準》)
Explanation on Implementation Process of Internal Excellence Standards (《內部優良標準執行過程説明》)
Excellence Standards for Civil Engineering Enterprises (《土建工程企業優良標準》)
Excellence Standards for Building Electrical Engineering (《建築電氣優良標準》)
Excellence Standards for Ventilating and Air Conditioning Engineering Enterprises (《通風空調工程企業優良標準》)
Quality Management Plan (《質量管理規劃》)
Supplies Management System (《物資管理制度》)
Subcontractor Management System (《分包商管理制度》)
Machinery and Equipment Management System (《機械設備管理制度》)
Measures for Quality, Safety and Science and Technology Incentive Funds (《質量、安全、科技獎勵基金管理辦法》)
Production Safety Education System (《安全生產教育制度》)
Safety Guide Manual for Construction Personnel of Construction Project (《工程項目施工人員安全指導手冊》)
Occupational Health Management System (《職業健康管理制度》)
Science and Technology Innovation Management System (《科技創新管理制度》)
Workflow of Science and Technology R&D Project Management (《科技研發項目管理工作流程》)
Implementation Regulations on Management of Major Customers (《大客戶管理實施細則》)
Code of Business Ethics and Code of Conduct of Hebei Construction Group Corporation Limited (《河北建設集團股份有限公司商業道德規範及行為準則》)
Environmental Protection Management System (《環境保護管理制度》)
Special Plan for Green Construction (《綠色施工專項方案》)
Employee Recruitment and Employment System (《招聘錄用管理工作制度》)
Remuneration Management Measures (《薪酬管理辦法》)
Employee Education and Training System (《員工教育培訓工作制度》)
Recruitment and Employment System (《招聘僱傭制度》)
Training Management System (《培訓管理制度》)
Human Resources Management System (《人力資源管理制度》)
Implementation Regulations on the Administration of Youth Entrepreneurship Program (《青年創業號管理實施細則》)
Selection Plan for "Top 100 Backup Cadres" for Key Post Successors (《關鍵崗位繼任者"百人後備幹部"選拔方案》)
Safety Responsibility Appraisal System for Management Personnel at All Levels (《各級管理人員安全責任考核制度》)
2018 Quality Management Work Plan (《2018年質量管理工作規劃》)

APPENDIX II: CONTENT INDEX OF STOCK EXCHANGE ESG REPORTING GUIDE

Major Scope, Aspect, General Disclosures and KPIs		2018 ESG Report
Aspect A1	**Emissions**	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and GHG emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	4 Green environmental protection
KPI A1.1	The types of emissions and respective emissions data.	The Group basically does not involve organized emissions of fixed sources
KPI A1.2	GHG emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	4.2 Green construction
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	The Group produces a small amount of hazardous waste during its operation. We plan to make disclosure of it in the future
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	4.2 Green construction
KPI A1.5	Description of measures to mitigate emissions and results achieved.	4.2 Green construction
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	4.2 Green construction

Major Scope, Aspect, General Disclosures and KPIs		2018 ESG Report
Aspect A2	**Use of Resources**	
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials. Resources can be used for production, storage, transportation, buildings, electronic equipment, etc.	4 Green environmental protection
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	4.2 Green construction
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	4.2 Green construction
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	4.2 Green construction
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	4.2 Green construction
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	The operation of the Group basically does not involve the use of product packaging
Aspect A3	**The Environment and Natural Resources**	
General Disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources.	4.2 Green construction
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	4.2 Green construction

Major Scope, Aspect, General Disclosures and KPIs		2018 ESG Report
Aspect B1	**Employment**	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	5 Employee relations
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	5.1 Overview of the Employee
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	5.1 Overview of the Employee
Aspect B2	**Health and Safety**	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	2.3 Safety operation
KPI B2.1	Number and rate of work-related fatalities.	2.3 Safety operation
KPI B2.2	Lost days due to work injury.	The Group plans to conduct statistics and management on the number of work days lost due to work-related injuries in the future

Major Scope, Aspect, General Disclosures and KPIs		2018 ESG Report
KPI B2.3	Description of occupational health and safety measures adopted and how they are implemented and monitored.	2.3 Safety operation
Aspect B3	**Development and Training**	
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	5.2 Employee development
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	The Group plans to conduct statistics and management on the percentage of trainees in the future
KPI B3.2	The average training hours completed per employee by gender and employee category.	5.2 Employee development
Aspect B4	**Labor Standards**	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labor.	5 Employee relations
KPI B4.1	Description of measures to review employment practices to avoid child and forced labor.	5.1 Overview of the Employee
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	5.1 Overview of the Employee

Major Scope, Aspect, General Disclosures and KPIs		2018 ESG Report
Aspect B5	**Supply Chain Management**	
General Disclosure	Policies on managing environmental and social risks of the supply chain.	2.2 Supply chain management
KPI B5.1	Number of suppliers by geographical region.	2.2 Supply chain management
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	2.2 Supply chain management
Aspect B6	**Product Responsibility**	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labeling and privacy matters relating to products and services provided and methods of redress.	2.1 Quality management
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	The Group's operations do not involve product recycling
KPI B6.2	Number of products and service related complaints received and how they were dealt with.	3.3 Service improvement
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	3.2 Industry leadership
KPI B6.4	Description of quality assurance process and recall procedures.	2.1 Quality management
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	3.3 Service improvement

Major Scope, Aspect, General Disclosures and KPIs		2018 ESG Report
Aspect B7	**Anti-corruption**	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	1.3 Integrity operation
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	1.3 Integrity operation
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	1.3 Integrity operation
Aspect B8	**Community Investment**	
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	6. Helping the community
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labor needs, health, culture, sport).	6. Helping the community
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	6. Helping the community

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The table below sets forth certain information on the Directors:

Name	Age	Position	Major duties
Executive Directors			
Mr. Li Baozhong	49	Chairman of the Board and executive Director	Responsible for convening and chairing general meetings and Board meetings; Responsible for overall management of the Group and deciding major strategies and the development and investment plan of the Group
Mr. Shang Jinfeng	42	Executive Director and President	Participating in formulation of business plans, strategic and major decisions of the Group as a member of the Board; Deciding and guiding external affairs, major planning and auditing events and major business activities of the Company
Mr. Zhao Wensheng	49	Executive Director, Chief Accountant and Director of Finance	Participating in formulation of business plans, strategic and major decisions of the Group as a member of the Board; Responsible for overall financial and capital management of the Group
Mr. Liu Yongjian	55	Executive Director and vice President	Participating in formulation of business plans, strategic and major decisions of the Group as a member of the Board; Responsible for, among others, production safety and risk control of the Group

Name	Age	Position	Major duties
Non-executive Directors			
Mr. Li Baoyuan	68	Honorary Chairman of the Board and non-executive Director	Responsible for convening and chairing general meetings and Board meetings; Participating in the formulation of business plans, strategic and major decisions of the Group as a member of the Board
Mr. Cao Qingshe	54	Vice Chairman of the Board and non-executive Director	Participating in formulation of business plans, strategic and major decisions of the Group as a member of the Board
Mr. Xiao Xuwen	66	Independent non-executive Director	Supervising and offering independent judgment to the Board and/or serving as chairman and/or member of certain committees of the Board
Ms. Shen Lifeng	53	Independent non-executive Director	Same as above
Ms. Chen Xin	36	Independent non-executive Director	Same as above
Mr. Chan Ngai Sang Kenny	54	Independent non-executive Director	Same as above

The following table below sets forth certain information on the Supervisors of the Company, the scope of which is in compliance with the Articles of Association:

Name	Age	Position	Major duties
Mr. Yu Xuefeng	56	Chairman of the Board of Supervisors and Shareholder Supervisor	Presiding over the Board of Supervisors and monitoring the operation risks and financial activities of the Company as well as the performance of the Directors and senior management
Mr. Liu Jingqiao	57	Employee Supervisor	Monitoring the operation and financial activities of the Company as well as the performance of the Directors and senior management
Ms. Feng Xiujian	41	Shareholder Supervisor	Same as above
Mr. Yue Jianming	46	Employee Supervisor	Same as above
Mr. Wang Feng	39	Shareholder Supervisor	Same as above

The following table below sets forth certain information on the senior management of the Company, the scope of which is in compliance with the Articles of Association:

Name	Age	Position	Major duties
Mr. Shang Jinfeng, please refer to the above.			
Mr. Zhao Whensheng, please refer to the above.			
Mr. Liu Yongjian, please refer to the above.			
Mr. Gao Qiuli	61	Vice President and Chief Engineer	Responsible for, among others, technology quality and risk control of the Group
Mr. Li Wutie	32	Board Secretary and Assistant to the President	Assisting the President to deal with various affairs; Acting as the contact person of the Company with the Hong Kong Stock Exchange; Responsible for information disclosures and investor management as well as corporate governance affairs of the Company

DIRECTORS

Executive Directors

Mr. Li Baozhong (李寶忠), aged 49, is the Chairman of the Board and an executive Director of the Company since 22 December 2015. Mr. Li is also the chairman of the Nomination Committee and a member of the Remuneration and Appraisal Committee under the Board of the Company. Mr. Li also serves as the chairman of Zhongming Zhiye, Baoding Langzhuo Guan-Baoding Railway Construction Co., Ltd. and Shenzhen Zhongru Investment Co., Ltd., a vice chairman of the board of directors of Zhongru Investment, an executive director and the general manager of Baoding Zhongcheng, a supervisor of Qianbao Investment and Guoxing Global Land Consolidation and Development Co., Ltd. (國興環球土地整理開發有限公司) and a director of Zhongcheng Real Estate, Baoding Tiane Real Estate Development Co., Ltd. (保定天鵝房地產開發有限公司), Baoding Mancheng Zhongbao Investment Co., Ltd. (保定市滿城區中寶投資有限公司), Bank of Baoding Co., Ltd. (保定銀行股份有限公司) and Zhongji United Investment Holdings Co., Ltd. (中冀聯合投資控股有限公司), respectively. Mr. Li is a vice president of Hebei Construction Industry Association and the president of Baoding Construction Industry Association. Mr. Li has over 26 years of experience in corporate management and in the construction engineering industry. His previous primary work experience includes: serving as a technician, a deputy project manager and the project manager of Work Zone I of the Fourth Branch of No. 1 Construction Engineering Company of Hebei Province from July 1992 to December 1996; a vice manager of the Fourth Branch of No. 1 Construction Engineering Company of Hebei Province from January 1997 to December 1997; the manager of the Fourth Branch of the Company from January 1998 to December 2010; and a vice Chairman of the Board and a vice President of the Company from December 2010 to December 2015. Mr. Li was elected as a Deputy of the thirteenth session to the National People's Congress in March 2018.

Mr. Li obtained an executive master's degree in business administration from Cheung Kong Graduate School of Business in Beijing, the PRC in September 2015. Mr. Li obtained the qualification of national certified constructor from the Ministry of Construction of the PRC in January 2008 and the qualification of senior engineer from the Qualification Reform Leading Group Office of Hebei Province (河北省職稱改革領導小組辦公室) in December 2009, respectively. Mr. Li was awarded the "Model Worker of Baoding (保定市勞動模範)" by the People's Government of Baoding in April 2013, the "Model Worker of Hebei Province (河北省勞動模範)" by the People's Government of Hebei Province in April 2014, the "National Excellent Worker in Construction Industry (全國建築業先進工作者)" by China Construction Industry Association in October 2016 and the "Quality Award of Hebei Government (河北省政府質量獎)" by the People's Government of Hebei Province in June 2017.

Mr. Li Baozhong is the brother of Mr. Li Baoyuan, the Honorary Chairman and non-executive Director of the Company, and uncle of Mr. Li Wutie, the Board Secretary and assistant to the President of the Company.

Mr. Shang Jinfeng (商金峰), aged 42, is an executive Director and the President of the Company since 31 March 2017. Mr. Shang is also a member of the Nomination Committee and the Remuneration and Appraisal Committee under the Board of the Company. Mr. Shang also serves as a director of HCG Tianchen Construction Engineering, Hebei Lvjian Investment Company (河北綠建投資股份公司) and Zhongcheng Real Estate Development Co., Ltd. (中誠房地產開發股份有限公司), and the general manager of Baoding Mancheng District Zhongbao Investment Co., Ltd. (保定市滿城區中寶投資有限公司). Mr. Shang has over 21 years of experience in the construction engineering industry and corporate management. His previous primary work experience includes: serving as a technician, the person in charge of technology and the project manager of HCG Tianchen Construction Engineering from July 1998 to October 2008; a vice general manager in charge of production of HCG Tianchen Construction Engineering from March 2008 to December 2010; a standing vice general manager and the general manager of HCG Tianchen Construction Engineering from December 2010 to January 2017; and a vice President and a standing vice President of the Company from December 2013 to March 2017.

Mr. Shang obtained an undergraduate diploma in urban construction from the Agricultural University of Hebei Province in Baoding, the PRC in July 1998 and an EMBA degree from Peking University in Beijing, the PRC in January 2016. Mr. Shang obtained the qualifications of national certified constructor from the Ministry of Construction of the PRC in January 2008 and senior engineer from the Qualification Reform Leading Group Office of Hebei Province (河北省職稱改革領導小組辦公室) in December 2013. Mr. Shang was accredited the “Wusi Youth Medal of Baoding City (保定市五四青年獎章)” jointly from China Communist Youth League Baoding Committee, Bureau of Human Resources and Social Security of Baoding and Baoding Youth Federation in May 2012. Mr. Shang has been awarded as the “Excellent Enterprise Manager in Construction Industry (建築業優秀企業管理者)” by Hebei Building Industry Association for five times from 2012 to 2017 and a second-level candidate of “New Century Triple Talents Project of Hebei Province” (河北省新世紀“三三三人才工程”) by Leading Group of “Triple Talents Project” of Hebei Province (河北省“三三三人才工程”領導小組) in December 2015.

Mr. Zhao Wensheng (趙文生), aged 49, is the chief accountant and the director of finance of the Company since 23 January 2013 and an executive Director of the Company since 25 February 2019. Mr. Zhao also serves as a director of Tianjin Tianzheng Construction Engineering Co., Ltd., Zhuozhou Zhongzhou Water Co., Ltd. (涿州市中洲水業有限公司) and Hebei Construction Group Infrastructure Construction Co., Ltd. (河北建設集團基礎設施建設有限公司). Mr. Zhao Wensheng also serves as the general manager of Baoding Jucheng Investment Co., Ltd. Mr. Zhao Wensheng also serves as the chairman of the board of supervisors of HCG Zhuocheng Road and Bridge Engineering (河北建設集團卓誠路橋工程), HCG Installment Engineering (河北建設集團安裝工程), HCG Decoration Engineering (河北建設集團裝飾工程) and Zhongji United Investment Holdings Co., Ltd. (中冀聯合投資控股有限公司), and a supervisor of HCG Tianchen Construction Engineering (河北建設集團天辰建築工程), Zhongcheng Real Estate Development Co., Ltd. (中誠房地產開發股份有限公司), Baoding Mancheng Zhongbao Investment Co., Ltd. (保定市滿城區中寶投資有限公司), Hebei Lvjian Investment Company (河北綠建投資股份公司), Hebei Construction Group Qianqiu Management Co., Ltd. (河北建設集團千秋管業有限公司), Shenzhen Zhongru Investment Co., Ltd. (深圳中儒投資有限公司), Hebei Haikuo Environmental Technology Co., Ltd.(河北海闊環境科技有限公司) and Hebei Zhongbao New Building Materials Manufacturing Co., Ltd. (河北中寶新型建材製造有限公司) respectively. Mr. Zhao is also a standing member of China Construction Accounting Institute (中國建設會計學會) and a vice president of Hebei Institute of Construction Accounting (河北省建設會計協會). Mr. Zhao's previous primary work experience includes: serving as an accountant of No. 1 Construction Engineering Company of Hebei Province (河北省第一建築工程公司) from July 1989 to January 1997; the head of finance department of HCG Decoration Engineering. from January 1997 to July 2005; a deputy head of the Financial Audit Department of the Company from June 2005 to April 2006; and the head of Financial Management Department of the Company from April 2006 to January 2013.

Mr. Liu Yongjian (劉永建), aged 55, is an executive Director of the Company since 20 December 2013 and a vice President of the Company since 17 January 2008. Mr. Liu also serves as a director of HCG Decoration Engineering and Hebei Zhiping Construction Equipment Leasing Co., Ltd. (河北治平建築設備租賃有限公司), respectively. Mr. Liu is also an external postgraduate tutor in the Institute of Urban and Rural Construction of Agricultural University of Hebei and an adjunct professor at the College of Civil Engineering and Architecture of Hebei University. Mr. Liu has over 34 years of experience in the construction engineering industry and corporate management. His previous primary work experience includes: serving as a technician, quality inspection technician of Engineering Division I of No. 1 Construction Engineering Company of Hebei Province and project manager of the company from July 1985 to December 2000; a vice manager and the manager of the First Branch of the Company from January 2001 to December 2010; and a vice President (non-standing) of the Company from January 2008 to December 2010.

Mr. Liu obtained a technical secondary school diploma in industrial and civil construction from Hebei Institute of Architecture and Civil Engineering in Zhangjiakou, the PRC in July 1985, an academic diploma from a post-secondary course for construction engineering (through correspondence course) from Hebei University of Architecture in Zhangjiakou, the PRC in June 2001, a master of engineer degree in water conservancy and hydropower engineering from Agricultural University of Hebei Province in Baoding, the PRC in June 2002 and a doctor's degree of engineering in structural engineering from Tianjin University in Tianjin, the PRC in June 2012. Mr. Liu obtained the qualifications of national certified constructor (in construction engineering major) from the Ministry of Construction of the PRC in January 2008 and senior engineer from the Qualification Reform Leading Group Office of Hebei Province (河北省職稱改革領導小組辦公室) in June 2009. Mr. Liu was selected as a third-level candidate of the "New Century Triple Talents Project of Hebei Province" (河北省新世紀"三三三人才工程") by the Leading Group of New Century "Triple Talents Project" of Hebei Province (河北省"三三三人才工程"領導小組) in December 2007; the "2008 Young and Middle-aged Experts with Outstanding Contribution to Hebei Province (河北省有突出貢獻中青年專家)" by the People's Government of Hebei Province in August 2008.

Non-Executive Directors

Mr. Li Baoyuan (李寶元), aged 68, is the honorary Chairman of the Board and a non-executive Director of the Company since 22 December 2015. Mr. Li is also a member of the Audit Committee under the Board of the Company. Mr. Li also serves as the chairman of the board of directors of Zhongru Investment and Hebei Baocang Expressway Co., Ltd. (河北保滄高速公路有限公司), an executive director and the general manager of Qianbao Investment, and a director of Baoding Taihang Heyi Cement Co., Ltd. (保定太行和益水泥有限公司) and Zhongming Zhiye. Mr. Li is a vice president of China Construction Industry Association. Mr. Li has over 48 years of experience in corporate management and the construction engineering industry. His previous primary work experience includes: serving as a trainee, budget planner, vice subsection chief of the planning subsection of Division I, a deputy head of Team 2 of Division I and the head of Team 2 of Division I of No. 1 Construction Engineering Company of Hebei Province from 1970 to 1984; the head of Team 2 of Division I, the head of the 101 Engineering Team (formerly Team 2 of Division I), the director of Working Area I, the manager and an assistant to the manager of the Fourth Branch of No. 1 Construction Engineering Company of Hebei Province from October 1986 to September 1991; a vice manager of the No. 1 Construction Engineering Company of Hebei Province from September 1991 to August 1995; the general manager and secretary to the Party Committee of No. 1 Construction Engineering Company of Hebei Province from August 1995 to October 1997; the Chairman of the Board from October 1997 to December 2015 and the honorary Chairman of the Board and a non-executive Director of the Company since December 2015; the President of the Company from October 1997 to January 2006; and the secretary to the Party Committee of the Company since October 1997. Mr. Li was elected as a representative of the ninth, tenth and eleventh sessions of the National People's Congress from March 1998 to March 2013.

Mr. Li obtained an academic diploma from a post-secondary course for Party and government cadres from Hebei Radio and TV University in Shijiazhuang, the PRC in July 1986, an undergraduate degree in economics and management (through correspondence course) from the Correspondence College of the Party School of the Central Committee of C.P.C. (中共中央黨校函授學院) in Beijing, the PRC in December 1998. He also obtained a PhD degree in business administration from International East-West University in the United States in May 2009. Mr. Li obtained the qualifications of senior economist from the Qualification Reform Leading Group Office of Hebei Province (河北省職稱改革領導小組辦公室) in December 2006. Mr. Li was granted a special government allowance and the certificate by the State Council in April 2007. He was awarded the title of "Outstanding Pioneer in Corporate Reform of Hebei Province (河北省企業改革標兵)" by the People's Government of Hebei Province in December 1998, the "Model Worker of Hebei Province (河北省勞動模範)" by the People's Government of Hebei Province in April 1999, the "National Model Worker (全國勞動模範)" by the State Council in April 2000 and "Excellent Enterprise Director (河北省優秀企業家)" by the People's Government of Hebei Province in June 2001. He received the "Hebei Province Special Quality Award (河北省質量特別獎)" from the People's Government of Hebei Province in December 2003 and the title of "Young and Middle-aged Expert with Outstanding Contributions in Hebei Province" by the People's Government of Hebei Province in April 2005.

Mr. Li is the brother of Mr. Li Baozhong, the Chairman and executive Director of the Company, and the father of Mr. Li Wutie, the Board secretary and assistant of the President of the Company.

Mr. Cao Qingshe (曹清社), aged 54, is a vice Chairman of the Board and a non-executive Director of the Company since 31 March 2017. Mr. Cao is also a member of the Audit Committee under the Board of the Company. Mr. Cao also serves as an executive director and the general manager of Zhongming Zhiye, the general manager of Zhongru Investment, and a director of Zhongcheng Real Estate and Shenxian Mountain Tourism Development Co., Ltd. (神仙山旅遊發展有限公司) respectively. Mr. Cao has over 32 years of experience in corporate management and the construction engineering industry. His previous primary work experience includes: serving as a vice manager and the manager of the Instalment Branch of No. 1 Construction Engineering Company of Hebei Province (河北省第一建築工程公司安裝分公司) from September 1996 to December 2004; a vice President of the Company from June 2001 to December 2004; a standing vice President of the Company from January 2005 to December 2005; and the President of the Company from January 2006 to March 2017.

Mr. Cao obtained a bachelor's degree of engineering in heating ventilation from the Urban Construction Department of Hebei University of Architecture (河北建築工程學院) in Zhangjiakou, the PRC in July 1987 and a master's degree of engineering in architecture and civil engineering from Tianjin University in Tianjin, the PRC in March 2003. Mr. Cao obtained the qualification of senior engineer from the Professional Technician Management Division of the Hebei Provincial Department of Human Resources and Social Security (河北省人力資源和社會保障廳專業技術人員管理處) in December 2003 and the qualification of national first-class certified constructor from the Ministry of Construction of the PRC in January 2008, respectively. Mr. Cao was awarded the first session of "Top Ten Excellent Youth (十大傑出青年)" jointly by China Communist Youth League Baoding Committee (共青團保定市委員會) and other authorities in September 1995, the "Model Worker of Baoding City for years 1998 to 2000 (保定市1998-2000年勞動模範)" by the People's Government of Baoding City in April 2001; "Excellent Worker for Urban Construction for 2001 (2001年度城市建設先進工作者)" by the People's Government of Baoding City in March 2002; "Excellent Individual for Construction of Lu Ban Award (創建魯班獎工程先進個人)" by China Construction Industry Association in December 2012; and "National Excellent Worker in Construction Industry (全國建築業先進工作者)" by China Construction Industry Association in October 2016. He also obtained the "First-class Award for Technology Improvement (科技進步一等獎)" from the Ministry of Construction of Hebei Province in April 2003 for the Experiment and Device Development Project of Biofilm Filtering Reactor for Recycling of Urban Sewage (用於城市污水回用的生物膜過濾反應器實驗及設備開發項目), the "Second-class Award for Science and Technology of Hebei Province (河北省科學技術二等獎)" from the People's Government of Hebei Province in December 2014, and the "Quality Award (Individual) of Hebei Government (河北省政府質量獎（個人獎))" from the People's Government of Hebei Province in December 2013.

Independent Non-Executive Directors

Mr. Xiao Xuwen (肖緒文), aged 66, is an independent non-executive Director of the Company since 15 December 2017. Mr. Xiao also serves as consulting chief engineer of the technology center of China State Construction Engineering Corporation Ltd (中國建築股份有限公司) (a listed Company on the Shanghai Stock Exchange, stock code: 601668) and a professor of School of Civil Engineering of Tongji University. Mr. Xiao is a vice president of China Construction Industry Association, a standing vice president of China Construction Industry Association Branch of Green Building and Construction (中國建築業協會綠色建造與施工分會) and a standing vice head of the Construction Engineering Technology Expert Committee of China Construction Industry Association (中國建築業協會建築工程技術專家委員會). Mr. Xiao has more than 41 years of experience in the construction engineering industry (especially specializing in research and development of construction engineering technologies) and corporate management. His previous primary work experience includes: consecutively serving in various positions of China Construction Eighth Division (中國建築第八工程局) from May 1983 to January 2008, including as a technician, a designer, the head of the Design Institute, a vice chief engineer (at division level) and the chief engineer, and serving as the general manager of the Technology Department of China State Construction Engineering Corporation Ltd from January 2008 to June 2012.

Mr. Xiao graduated from Tsinghua University in Beijing, the PRC in January 1977, majoring in industry and civil construction. Mr. Xiao obtained the qualification of senior engineer (professor level) from China State Construction Engineering Corporation (中國建築工程總公司) in December 2000. Mr. Xiao obtained the Second Prizes of the National Science and Technology Progress Award (國家科學技術進步獎二等獎) from the State Council for Research on Construction Technology of Modern Stadiums (現代化體育場施工技術研究), Research and Application of Construction Technology on Prestressing Force of Long-span Space Steel Structure (大跨空間鋼結構預應力施工技術研究與應用) and Key Technology and Application of Super High and Complicated High-rise Architecture Structures (超高及複雜高層建築結構關鍵技術與應用) in February 2007, November 2010 and December 2013, respectively.

Ms. Shen Lifeng (申麗鳳), aged 53, is an independent non-executive Director of the Company since 15 December 2017. Ms. Shen is also the chairman of the Audit Committee and a member of the Nomination Committee and the Remuneration and Appraisal Committee under the Board of the Company. Ms. Shen also serves as the chief executive officer of Porda Havas International Finance Communications (Group) Holdings Company Limited (博達浩華國際財經傳訊(集團)控股有限公司); and a founding arbitrator of the Arbitration Committee of Langfang City (廊坊市仲裁委員會). Ms. Shen was a standing committee member of the Federation of Industry and Commerce of Hebei Province (河北省工商業聯合會) and a vice president of the General Chamber of Commerce of Hebei Province (河北省總商會) and her term ended on 31 December 2017. Ms. Shen served as a founding arbitrator of the Arbitration Committee of Shijiazhuang City (石家莊市仲裁委員會) and her term ended on 31 December 2018. Ms. Shen has more than 29 years of experience in law, investment and financing management and corporate management. Her previous primary work experience includes: serving as a teaching assistant in the Department of Law of Hebei University from September 1987 to October 1989; the director of the legal department, an assistant to the general manager and a vice general manager of Hebei Textiles Import and Export (Group) Company (河北省紡織品進出口(集團)公司) from October 1989 to May 2006; a standing vice general manager and a member of the discipline-inspection committee of Shenglun International Industrial Group Co., Ltd. (聖侖國際實業集團股份有限公司), responsible for the reorganization and restructuring of the state-owned enterprise from May 2006 to December 2007; an executive director and the general manager of Shaanxi Kunzheng Mining Co., Ltd. (陝西坤正礦業股份有限公司) from September 2008 to August 2014; and the chief director in charge of PRC businesses of Chong & Partners LLP from September 2016 to February 2019.

Ms. Shen obtained a bachelor of law degree from the Department of Law of Hebei University in Baoding, the PRC in July 1987, graduated from the Department of Economics of Hebei University in Baoding, the PRC in May 1999 and obtained a master's degree of economics in world economy, obtained a doctor of law degree in civil and commercial law from the School of Law of Peking University in Beijing, the PRC in June 2005 and a master's degree in Buddhist studies from the Faculty of Arts of the University of Hong Kong in Hong Kong in November 2015. Ms. Shen obtained the qualifications of lawyer from the Lawyer's Qualification Review Committee of the Ministry of Justice (司法部律師資格審查委員會) in June 1998 and senior economist from the Qualification Reform Leading Group Office of Hebei Province (河北省職稱改革領導小組辦公室) in November 1998, respectively. Ms. Shen was accredited the 2004 "Top Ten Excellent Youth of Hebei (河北十大傑出青年)" and the first-class merit for individuals (個人一等功) by the China Communist Youth League Committee of Hebei Province (共青團河北省委員會) and Hebei Provincial Department of Human Resources and Social Security and the "Top Ten Excellent Youth of Enterprises contributed by Hebei SASAC (河北省國資委所出資企業十大傑出青年)" by Hebei SASAC in 2005, respectively. Ms. Shen was also elected and served as the representative of the sixth and seventh sessions of the Party Congress of Hebei Province.

Ms. Chen Xin (陳欣), aged 36, is an independent non-executive Director of the Company since 15 December 2017. Ms. Chen is also the chairman of the Remuneration and Appraisal Committee and a member of the Audit Committee and the Nomination Committee and under the Board of the Company. Ms. Chen is currently the director of human resources consultant of Talentpool (HK) Limited. Ms. Chen has more than 11 years of experience in corporate management. Her previous primary work experience includes: serving as a financial advisor and accountant assistant in the financial department, and a deputy manager of the personnel unit in administration & personnel department of COSCO (HK) Industry & Trade Holdings Ltd. from February 2008 to February 2016; and the head of HR and administration department of Zhongrong International Securities Co., Ltd. from February 2016 to May 2016. Ms. Chen was the Hong Kong director of human resources of Fortune Fountain Capital Limited in 2017.

Ms. Chen obtained a bachelor's degree in accounting and finance from University of Southampton in Southampton, the United Kingdom in June 2006, and a master's degree in international management from University of London, King's College in London, the United Kingdom in December 2007.

Mr. Chan Ngai Sang Kenny (陳毅生), aged 54, is an independent non-executive Director of the Company since 15 December 2017. Mr. Chan is also a member of the Audit Committee and the Nomination Committee and Remuneration and Appraisal Committee of the Board of the Company. Prior to joining the Company, Mr. Chan worked at Ernst & Young from July 1989 to March 1997. Since April 1997 to date, he has served as the principal of Kenny Chan & Co. Mr. Chan has served as an independent non-executive director of CMIC Ocean En-Tech Holding Co., Ltd. (stock code: 00206) since October 2005, an independent non-executive director of Kingland Group Holdings Limited (stock code: 1751) since December 2016, an independent non-executive director of Minsheng Education Group Company Limited (stock code: 1569) since March 2017 and an independent non-executive director of Zhongyuan Bank Co., Ltd. (stock code: 1216) since May 2017.

Mr. Chan obtained a bachelor of commerce degree in accounting and finance from The University of New South Wales in Sydney, Australia in October 1988. He is a certified public accountant and a fellow member of the Hong Kong Institute of Certified Public Accountants and a chartered accountant (New Zealand).

Supervisors

Mr. Yu Xuefeng (于學峰), aged 56, is the deputy secretary of the Party Committee, secretary of the discipline committee and chairman of the trade union of the Company as well as the chairman of the Board of Supervisors and shareholder Supervisor since 25 June 2018. Mr. Yu also serves as the legal person, manager and director of Baoding Langzhuo Guan-Baoding Railway Construction Co., Ltd., and serves as a director of Luanping Zhongcheng Real Estate Development Co., Ltd. (灤平中誠房地產開發有限公司), Zhongming Zhiye Co., Ltd., Hebei Baocang Expressway Co., Ltd. (河北保滄高速公路有限公司), and Jiuzhou Zongheng Railway. Investment Co., Ltd. (九州縱橫城際鐵路投資有限公司), Baoding Taihang Heyi Cement Co., Ltd. (保定太行和益水泥有限公司), Baoding Baofeng Agricultural Ecology Technology Co., Ltd. (保定市保豐農業生態科技有限公司), Hebei Tianbo Construction Technology Co., Ltd. (河北天博建設科技有限公司) and Laiyuan Zhongcheng Construction Development Co., Ltd. (淶源中誠建設發展有限公司). Mr. Yu's previous primary work experience includes: serving as the deputy chief of the industry section of Baoding Economic and Trade Commission from August 1984 to July 1998; the assistant to the President of the Company from August 1998 to July 2001; the vice President of the Company from August 2001 to April 2017; the chief accountant of Baoding Taihang Heyi Cement Co., Ltd. from September 2002 to November 2004; the chief accountant of Hebei Baocang Expressway Co., Ltd from December 2004 to October 2011; the general manager, chief accountant, vice chairman and secretary of the party committee of Zhongcheng Real Estate Development Co., Ltd. from November 2011 to September 2017.

Mr. Yu Xuefeng graduated from Hebei College of Engineering, majoring in automation in July 1984, and graduated from Hebei University, majoring in economics in July 1997. Mr. Yu Xuefeng is a senior economist.

Mr. Liu Jingqiao (劉景喬), aged 57, is an employee Supervisor of the Company since 31 March 2017. Mr. Liu also serves as the director of the Office of Party and Administration of the Company, the chairman of board of directors of Yuncai Network Technology Co., Ltd. (雲採網絡技術有限公司), Shenxian Mountain Tourism Development Co., Ltd. (神仙山旅遊發展有限公司) and Fuping County Ruifu Building Material Co., Ltd. (阜平縣瑞阜建材有限公司), respectively and an executive director of Fuping County Hongyi Labor Service Co., Ltd. (阜平縣紅阜勞務服務有限公司) a director of Hebei Qianyuan Agricultural Technology Development Co., Ltd. (河北乾元農業科技開發有限公司) and a director of Baoding Huawo Engineering Technology Consulting Co., Ltd. (保定華沃工程技術諮詢有限公司). Mr. Liu's previous primary work experience includes: serving as an employee of the health system of Fuping County of Hebei Province from August 1981 to August 1986; the head of the reporting group of the publicity department of the Party committee of Fuping County of Hebei Province and an organizer (at deputy division level) of the organization department of the Party Committee of Fuping County of Hebei Province; a secretary of the Company from September 1994 to January 2001; a deputy director of the office of the Party Committee and the Board secretary of the Company from January 2001 to December 2012; a deputy office director of the Company from April 2002 to February 2009; an office director of the Company, a director of the General Management Office, a deputy head of the Security Department and the secretary to the Party Committee of the Company from February 2009 to December 2012; and the Board secretary of the Company from November 2010 to April 2017.

Mr. Liu obtained an undergraduate academic diploma in law (through correspondence course) from Open College of the Central Party School of C.P.C. (中共中央黨校函授學院) in Beijing, the PRC in December 2001.

Ms. Feng Xiujian (馮秀健), aged 41, is a shareholder Supervisor of the Company since 23 January 2013. Ms. Feng also serves as a vice Chief Accountant and the head of Finance Management Department of the Company, a director of Tianjin Tianzheng Construction Engineering Co., Ltd. (天津天正建築工程有限責任公司) and a supervisor of Zhongcheng Real Estate, Hebei Zhiping Construction Equipment Leasing Co., Ltd. (河北治平建築設備租賃有限公司), Yuncai Network Technology Co., Ltd. (雲採網絡技術有限公司), Hebei Zhongru Software Technology Co., Ltd. (河北中儒軟件科技股份有限公司), Hebei Construction Group Steel Structure Engineering Co., Ltd. (河北建設集團鋼結構工程有限公司), Hebei Construction Group Zhengyuan Concrete Co., Ltd. (河北建設集團正源混凝土有限公司), Jiuzhou Zongheng Railway. Investment Co., Ltd. (九州縱橫城際鐵路投資有限公司), Baoding Langzhuo Gubao Intercity Railway Engineering Co., Ltd. (保定廊涿固保城際鐵路工程有限公司), Hebei Lvjian Investment Company (河北綠建投資股份公司) and Baoding Taihang Heyi Cement Co., Ltd. (保定太行和益水泥有限公司), respectively. Ms. Feng's previous primary work experience includes: serving as an accountant of the Steel Structures Branch of the Company from September 2000 to August 2004; a deputy head and the head (at division level) of the Finance Division of Concrete Branch of the Company from August 2004 to May 2009; and a deputy head of the Finance Management Department of the Company from June 2009 to December 2009.

Ms. Feng obtained a bachelor's degree in accounting from Hebei University of Economics and Business in Shijiazhuang, the PRC in July 2000. Ms. Feng obtained the qualification of senior accountant from the Office of Qualification Reform Leading Group of Hebei Province (河北省職稱改革領導小組辦公室) in December 2008.

Mr. Yue Jianming (岳建明), aged 46, is an employee Supervisor of the Company since 31 March 2017. Mr. Yue also serves as the head of the Legal Affairs Department of the Company, the legal representative and executive director of Beijing Zhongjian Zhilian Management Consulting Co., Ltd. (北京中建智聯管理諮詢有限公司), a director of Inner Mongolia Xinglifeng Construction Management Co., Ltd. (內蒙古興利豐建設管理有限公司) and a supervisor of Tianjin Tianzheng Construction Engineering Co., Ltd. (天津天正建築工程有限責任公司), Beijing Rungucheng Investment Management Co., Ltd. (北京市潤穀誠投資管理有限公司), HCG Tianchen Construction Engineering, HCG Zhuocheng Road and Bridge Engineering, HCG Installment Engineering and HCG Garden Engineering, respectively. He is also a consultation expert of National Development and Reform Commission, a mediator of Mediation Centre of China Construction Industry Association, an arbitrator of China International Economics and Trade Arbitration Commission and Shanghai Arbitration Commission, a consultant expert of Hebei Urban Construction Investment & Financing Association, an editor of textbook for the National Grade I Practising Qualification Certificate Constructor Examination, a vice director committee member of the Real Estate and Construction Engineering Law Profession Committee of China Legal Consulting Centre (中國法律諮詢中心房地產與建築工程法律專業委員會), an expert in the NDRC expert pool (國家發改委PPP專家庫), a council member of China Experts Association (中國專家學者協會), an adjunct professor at the College of Political Science and Law of Hebei University, a researcher of Real Estate Law Research Centre of China University of Political Science and Law, a member of the Legal Expert Consulting Committee of the People's Government of Baoding (保定市人民政府法制專家諮詢委員會), a researcher of the China Behavior Law Association and Joint Major and Difficult Cases Research Centre (中國行為法學會、法聯重大疑難案件研究中心) and a researcher of Arbitrator of Harbin Arbitration Commission and China Arbitration Law Research Association. Mr. Yue's previous primary work experience includes: serving as the legal counsel of the Company from September 1995 to March 2006; and a deputy head of the Economic Contract Department of the Company from April 2006 to March 2009.

Mr. Yue obtained a master's degree in law from China University of Political Science and Law in Beijing, the PRC in July 2015. Mr. Yue obtained the qualifications of senior economist from Qualification Reform Leading Group Office of Hebei Province (河北省職稱改革領導小組辦公室) in December 2013. He also obtained the qualification of corporate legal counsel jointly issued by the Ministry of Personnel, National Economics and Trade Commission and the Ministry of Justice in June 1999, the legal profession qualification from the Ministry of Justice in February 2006, and the qualification of construction project manager from China Construction Industry Association in June 2010.

Mr. Wang Feng (王豐), aged 39, is a shareholder Supervisor of the Company since 31 March 2017. Mr. Wang also serves as the head of the Inspection and Auditing Department of the Company, and a supervisor of HCG Tianchen Construction Engineering, HCG Decoration Engineering, HCG Zhuocheng Land and Road Engineering, HCG Installment Engineering, HCG Garden Engineering, Tianjin Tianzheng Construction Engineering Co., Ltd. (天津天正建築工程有限責任公司) and Hebei Construction Group Infrastructure Construction Co., Ltd. (河北建設集團基礎設施建設有限公司), respectively. Mr. Wang's previous primary work experience includes: serving as a teacher at No.10 Middle School of Dalad Qi, Inner Mongolia from September 2003 to August 2004, an information commissioner of the office of the Party Committee of Dalad Qi, Inner Mongolia from September 2004 to August 2005, the human resource manager of Aishengya (Baoding) Package Company Limited (愛生雅（保定）包裝有限公司) from September 2008 to June 2010, the human resource manager of Baoding International Paper Package Company Limited (保定國際紙業包裝有限公司) from September 2010 to December 2013, and the secretary to the vice Chairman of the Board of the Company from January 2014 to September 2014.

Mr. Wang obtained an academic diploma from a post-secondary course for computer and application from Inner Mongolia University of Technology in Hohhot, the PRC in July 2003, and an academic diploma of undergraduate course in English language from Hebei University in Baoding, the PRC in April 2009. Mr. Wang obtained the qualification of constructor from the Qualification Reform Leading Group Office of Hebei Province (河北省職稱改革領導小組辦公室) in September 2016.

Senior Management

Mr. Shang Jinfeng (商金峰). For biography of Mr. Shang, please refer to "Director – Executive Director" above.

Mr. Zhao Wensheng (趙文生). For biography of Mr. Zhao, please refer to "Director – Executive Director" above.

Mr. Liu Yongjian (劉永建). For biography of Mr. Liu, please refer to "Director – Executive Director" above.

Mr. Gao Qiuli (高秋利), aged 61, is a vice President and the Chief Engineer of the Company since 22 July 2001. Mr. Gao also serves as the chairman of the board of directors of Hebei Lvjian Investment Company (河北綠建投資股份公司), the legal representative and executive director of Hebei Zhongbao New Building Materials Manufacturing Co., Ltd. (河北中寶新型建材製造有限公司), and a director of HCG Installment Engineering and Hebei Zhongru Software Technology Co., Ltd (河北中儒軟件科技股份有限公司) respectively. Mr. Gao has over 38 years of experience in the construction engineering industry and technical and quality management. His previous primary work experience includes: serving as a technician and the person in charge of technology of No. 1 Construction Engineering Company of Hebei Province from July 1981 to December 1988; the head in charge of technology and the head of No. 1 Construction Engineering Company of Hebei Province from January 1988 to November 1994; a deputy head and the head (at division level) of the quality and technology division of No. 1 Construction Engineering Company of Hebei Province from December 1994 to November 1997; a vice chief engineer and a vice general manager of No. 1 Construction Engineering Company of Hebei Province from December 1997 to December 1998; and the chief engineer and a vice general manager of No. 1 Construction Engineering Company of Hebei Province from January 1999 to June 2001.

Mr. Gao obtained an academic diploma of undergraduate course in architecture engineering (through correspondence course) from Harbin University of Civil Engineering and Architecture (currently known as Harbin Institute of Technology) in Harbin, the PRC in July 1997, a master's degree in architecture and civil engineering from Tianjin University in Tianjin, the PRC in March 2002, and a doctor's degree of engineering in architecture technology and management from Tianjin University in Tianjin, the PRC in June 2011. Mr. Gao obtained the qualification of senior engineer from Qualification Reform Leading Group Office of Hebei Province (河北省職稱改革領導小組辦公室) in December 2002 and the qualification of national certified constructor from the Ministry of Construction of the PRC in January 2008, respectively. Mr. Gao was awarded the National Advanced Construction Technology Individual for the "Tenth Five-year Period" by the Ministry of Construction of the PRC in June 2006 and received the Second-class Award for Technology Improvement from the People's Government of Hebei Province in December 2007 and December 2014 respectively. He obtained the National Quality Award for Individuals from the General Administration of Quality Supervision, Inspection and Quarantine of the PRC in September 2011 and the Second-class Award for National Technology Improvement Award from the State Council of the PRC in December 2011.

Mr. Li Wutie (李武鐵), aged 32, is the Board secretary of the Company since 31 March 2017 and the assistant to the President of the Company since January 2015 and served as the head of the Financial and Securities Department of the Company since 4 June 2018. Mr. Li also serves as the general manager of Shenzhen Zhongru Investment Co., Ltd. (深圳中儒投資有限公司). Mr. Li's previous primary work experience includes working at the Inspection and Audit Department and Market Operation Department of the Company from July 2013 to December 2014.

Mr. Li obtained a Bachelor of Science (economics) degree in financial and business economics from Royal Holloway and Bedford New College of University of London in London, the United Kingdom in August 2011, and a Master of Science degree in accounting, accountability and financial management from King's College of London in London, the United Kingdom in December 2012.

Mr. Li is the son of Mr. Li Baoyuan, the Honorary Chairman and non-executive Director of the Company, and nephew of Mr. Li Baozhong, the Chairman and executive Director of the Company.

Joint Company Secretaries

Mr. Li Wutie (李武鐵). For biography of Mr. Li, please refer to "Senior Management" above.

Ms. Wong Wai Ling (黃慧玲), is one of the joint company secretaries of the Company. Ms. Wong has more than 14 years of experience in corporate secretarial affairs. Ms. Wong is the vice president of SWCS Corporate Services Group (Hong Kong) Limited and is responsible for assisting listed companies in professional company secretarial work. Prior to joining SWCS Corporate Services Group (Hong Kong) Limited, she worked in a corporate service provider and the company secretarial department of an international accounting firm. Ms. Wong obtained a Bachelor of Arts degree in marketing and public relations from the Hong Kong Polytechnic University and a master's degree in corporate governance from the Open University of Hong Kong. Ms. Wong has been an associate of The Hong Kong Institute of Chartered Secretaries and an associate of The Institute of Chartered Secretaries and Administrators in the United Kingdom.

STAFF INFORMATION

Staff Composition

As at 31 December 2018, the Group had 6,738 full-time employees. Set out below is a breakdown of the number of staff by function:

Employees of	Number of employees
The Company	4,981
The subsidiaries of the Company	1,881
Total	6,862

STAFF INCENTIVE

The Group has established a comprehensive performance appraisal system. Through the combination of quarterly appraisal on KPI indicators and yearly all-round appraisal, it linked annual operating goals with the performance appraisal of all departments and staff. The appraisal system combined objective appraisal, indicator appraisal, appraisal based on letter of commitment to objectives at the management level, quantitative appraisal on KPI indicators, quarterly appraisal and yearly all round appraisal, building the comprehensive performance appraisal system covering the Company, departments, subsidiaries and individuals. Tasks were broken down level by level for full coverage of key indicators and level-by-level management was adopted for attaining goals. The Company aligns business operation with individual incentive by a number of measures and means, for the purpose of boosting creativity of the organisation and individuals. It pursues long-term corporate development in a manner responsible to the Shareholders and society.

STAFF TRAINING

The Group attaches great importance to building a sound corporate culture, strives to improve the overall quality of employees and actively conducts comprehensive staff training at different levels. During the Reporting Period, it has pushed forward the development of systems, training courses, trainer qualification and training management in accordance with corporate strategy and arrangement of key undertakings of the year, and with the support of the Company's training system. On that basis, it coordinated and planned company-level training programs for different departments and subordinate companies. As at 31 December 2018, the Group has provided training for a total of 28,818 employees in 69,794 days and total training expenditure amounting to approximately RMB3.4035 million.

EMPLOYEE EVALUATION AND REMUNERATION

Taking into account the human resources strategy, the Group has established a remuneration system for different job levels based on individual performance and competence, with reference to the prevailing rates of relevant enterprises in the same region and same industry. This competitive remuneration system provided great support to the Company in talent recruitment, retention and motivation, and the implementation of human resources strategy.

PENSION SCHEME

A total of 81 employees of the Company retired in 2018. Such employees are entitled to the social pension insurance scheme approved by local labour and social security authorities.

Further details of employment policy of the Company are set out in the "Environmental, Social and Governance Report" on page 80 to page 147.

INDEPENDENT AUDITOR'S REPORT

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To the shareholders of Hebei Construction Group Corporation Limited
(A joint stock company established in the People's Republic of China with limited liability)

OPINION

We have audited the consolidated financial statements of Hebei Construction Group Corporation Limited (the "Company") and its subsidiaries (the "Group") set out on pages 176 to 311 which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's Code of *Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Revenue recognition on construction contracts	
Most of the Group's revenue was derived from construction contract services, and was accounted for by applying an input method which recognised revenue based on the costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract. The input method involves the use of management's significant judgement and estimates, including estimates of the progress towards completion, the scope of deliveries and services required, total contract costs, and remaining costs to completion. In addition, revenue, cost and gross profit realised on such contracts can vary from the Group's original estimates because of changes in conditions. The accounting policies and related disclosures for the revenue recognition on construction contracts are included in notes 3, 4 and 6 to the consolidated financial statements.	We performed the following procedures in relation to revenue recognition of construction contracts: 1) We evaluated and tested controls over the accounting process of contract costs, contract revenues and the calculation of the stage of completion; 2) We reviewed significant construction contracts by selecting samples to check the total contract revenues and other key contract terms; 3) We checked the contract costs incurred by selecting samples to check against supporting documents such as delivery and acceptance notes and invoices; 4) We evaluated management's judgement and estimates in the determination of estimated total contract costs by selecting samples to discuss the progress of the construction contracts with those in charge of the projects and compare actual contract costs incurred with budgeted contract cost; and 5) We re-calculated the revenue recognised under the input method on a sample basis and performed analytical review procedures according to different construction contract types.

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Provision for expected credit losses ("ECL") of trade receivables, deposits and other receivables and contract assets	
As at 31 December 2018, trade receivables, deposits and other receivables and contract assets amounting to RMB48,617,001,000 were material to the Group's consolidated financial statements. Management uses the simplified approach to calculate ECLs for trade receivables and contract assets and the general approach to calculate ECLs for deposits and other receivables. Management's assessment of the ECLs involves significant judgements and estimates and is based on historical observed default rates, ageing of balances, existence of disputes and forward-looking information. At the end of each reporting period, the historical observed default rates are updated and changes in the forward-looking estimates are analysed by management. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. Management also assesses whether the credit risk on the deposits and other receivables has increased significantly under the general approach. The accounting policies and related disclosures for the trade receivables, deposits and other receivables and contract assets are included in notes 3, 4, 27, 28 and 29 to the consolidated financial statements.	We performed the following procedures in relation to the provision assessment for trade receivables, deposits and other receivables and contract assets: 1) We evaluated and tested the controls over the accounting process of provision for ECLs of trade receivables, deposits and other receivables and contract assets; 2) We evaluated the provision for trade receivables, deposits and other receivables and contract assets by selecting samples to check the debtors' latest correspondence and historical payment records; 3) We tested the accuracy of aging of balances of trade receivables, deposits and other receivables and contract assets by tracing details of selected samples to supporting documents, such as invoices, bank slips and contracts with debtors; 4) We reviewed bank advice for the payments received subsequent to the end of the reporting period; 5) We valuated the Group's determination of significant increase in credit risk for the selected deposits and other receivables by checking the available external data and the information related to the overdue balance; and 6) We reviewed the calculation of the ECLs by assessing the historical observed default rates and forward-looking information.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

Other information consists of the information included in the Annual Report other than the consolidated financial statements and our auditor's report thereon. The directors of the Company are responsible for the other information. The Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Siu Fung Terence Ho.

Ernst & Young
Certified Public Accountants
Hong Kong
25 March 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
CONTINUING OPERATIONS			
Revenue	6	**46,649,243**	41,177,335
Cost of sales		**(44,082,321)**	(38,946,373)
Gross profit		**2,566,922**	2,230,962
Other income and gains	6	**202,101**	381,914
Selling and distribution expenses		**(28,370)**	(39,300)
Administrative expenses		**(437,884)**	(423,257)
Impairment losses on financial and contract assets, net		**(225,473)**	(375,630)
Other expenses		**(23,719)**	(23,738)
Finance costs	7	**(282,272)**	(182,537)
Share of losses of associates		**(164,626)**	(3,559)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	8	**1,606,679**	1,564,855
Income tax expense	11	**(473,625)**	(497,449)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**1,133,054**	1,067,406
DISCONTINUED OPERATIONS			
Profit for the year from discontinued operations	12	**-**	26,722
PROFIT FOR THE YEAR		**1,133,054**	1,094,128
Attributable to:			
Owners of the parent	13	**1,112,520**	1,052,246
Non-controlling interests		**20,534**	41,882
		1,133,054	1,094,128
Earnings per share attributable to ordinary equity holders of the parent:			
Basic and diluted	15		
(expressed in RMB per share)			
–For profit for the year		**0.63**	0.80
–For profit from continuing operations		**0.63**	0.78

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2018

	2018 *RMB'000*	2017 *RMB'000*
PROFIT FOR THE YEAR	**1,133,054**	1,094,128
OTHER COMPREHENSIVE INCOME		
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value	**81,200**	–
Income tax effect	**(20,300)**	–
	60,900	–
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	**60,900**	–
OTHER COMPREHENSIVE INCOME, FOR THE YEAR, NET OF TAX	**60,900**	–
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**1,193,954**	1,094,128
Attributable to:		
Owners of the parent	**1,173,420**	1,052,246
Non-controlling interests	**20,534**	41,882
	1,193,954	1,094,128

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	16	**610,488**	434,229
Investment property	17	**137,402**	135,439
Prepaid land lease payments	18	**35,632**	36,495
Investments in associates	19	**873,166**	318,650
Equity investments designated at fair value through other comprehensive income	20	**569,700**	–
Available-for-sale investments	20	**–**	488,500
Deferred tax assets	21	**311,306**	255,925
Trade receivables	27	**–**	451,853
Contract assets	22, 29	**743,494**	–
Receivables under service concession arrangements	22	**–**	42,278
Total non-current assets		**3,281,188**	2,163,369
CURRENT ASSETS			
Prepaid land lease payments	18	**863**	863
Inventories	23	**45,362**	77,782
Amounts due from contract customers	24	**–**	27,744,640
Properties under development	25	**941,991**	2,574,039
Completed properties held for sale	26	**1,141,550**	741,447
Trade and bills receivable	27	**6,402,479**	6,137,059
Contract assets	29	**37,152,909**	–
Prepayments, other receivables and other assets	28	**5,254,067**	5,808,804
A financial asset at fair value through profit or loss	30	**4,500**	–
Pledged deposits	31	**677,112**	222,640
Cash and cash equivalents	31	**5,818,017**	5,288,019
Total current assets		**57,438,850**	48,595,293
CURRENT LIABILITIES			
Trade and bills payables	32	**38,319,275**	30,849,740
Amounts due to contract customers	24	**–**	4,374,621
Other payables and accruals	33	**12,538,409**	7,088,206
Interest-bearing bank and other borrowings	34	**2,114,770**	1,847,362
Tax payable		**693,741**	565,644
Total current liabilities		**53,666,195**	44,725,573

31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
NET CURRENT ASSETS		**3,772,655**	3,869,720
TOTAL ASSETS LESS CURRENT LIABILITIES		**7,053,843**	6,033,089
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	34	**1,365,450**	1,721,780
Total non-current liabilities		**1,365,450**	1,721,780
Net assets		**5,688,393**	4,311,309
EQUITY			
Equity attributable to owners of the parent			
Share capital	35	**1,761,384**	1,733,334
Reserves	36	**3,416,403**	2,169,353
		5,177,787	3,902,687
Non-controlling interests		**510,606**	408,622
Total equity		**5,688,393**	4,311,309

Director

Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2018

	Notes	Share capital RMB'000 (note 35)	Capital reserve* RMB'000	Other reserve* RMB'000	Statutory Special reserve*/** RMB'000	surplus reserve* RMB'000 (note 36)	Retained profits* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
		Attributable to owners of the parent								
At 1 January 2018		1,733,334	1,388,526	-	-	174,557	606,270	3,902,687	408,622	4,311,309
Profit for the year		-	-	-	-	-	1,112,520	1,112,520	20,534	1,133,054
Other comprehensive income for the year:										
Change in fair value of financial assets at fair value through other comprehensive income, net of tax		-	-	60,900	-	-	-	60,900	-	60,900
Over-allotment of IPO	35	28,050	73,630	-	-	-	-	101,680	-	101,680
Capital contribution by non-controlling shareholders		-	-	-	-	-	-	-	81,450	81,450
Appropriation to statutory surplus reverse	36	-	-	-	-	93,149	(93,149)	-	-	-
Transfer to special reserve		-	-	-	745,837	-	(745,837)	-	-	-
Utilisation of special reserve		-	-	-	(745,837)	-	745,837	-	-	
At 31 December 2018		1,761,384	1,462,156	60,900	-	267,706	1,625,641	5,177,787	510,606	5,688,393

	Attributable to owners of the parent							
	Share capital *RMB'000*	Other reserve* *RMB'000*	Special reserve* *RMB'000*	Statutory surplus reserve*/** *RMB'000* *(note 36)*	Retained profits* *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
At 1 January 2017	1,200,000	-	-	328,557	1,305,678	2,834,235	255,443	3,089,678
Profit and total comprehensive income for the year	-	-	-	-	1,052,246	1,052,246	41,882	1,094,128
Contribution by non-controlling interests through acquisition	-	-	-	-	-	-	9,800	9,800
Disposal of discontinued operations	-	-	-	-	-	-	(93,431)	(93,431)
Capital contribution by shareholders of the Company	100,000	-	-	-	-	100,000	-	100,000
Issuances of H shares in initial public offering ("IPO")	433,334	1,134,272	-	-	-	1,567,606	-	1,567,606
Acquisition of non-controlling interests	-	-	-	-	-	-	(2,000)	(2,000)
Capital contribution by on-controlling shareholders	-	-	-	-	-	-	200,400	200,400
Appropriation to statutory surplus reserve	-	-	-	99,511	(99,511)	-	-	-
Dividends declared	-	-	-	-	(1,651,400)	(1,651,400)	(3,472)	(1,654,872)
Capitalisation of retained profits and statutory surplus reverse	-	254,254	-	(253,511)	(743)	-	-	-
Transfer to special reserve	-	-	634,718	-	(634,718)	-	-	-
Utilisation of special reserve	-	-	(634,718)	-	634,718	-	-	-
At 31 December 2017	1,733,334	1,388,526	-	174,557	606,270	3,902,687	408,622	4,311,309

* As at 31 December 2018, these reserve accounts comprise the consolidated reserves of RMB3,416,403,000 in the consolidated statement of financial position (31 December 2017: RMB2,169,353,000).

** In the preparation of the financial statements, the Group has appropriated a certain amount of retained profits to a special reserve fund for the year ended 31 December 2018, for safety production expense purposes as required by directives issued by the relevant PRC government authorities. The Group charged the safety production expense to profit or loss when such expense was incurred, and at the same time an equal amount of such special reserve fund was utilised and transferred back to retained earnings until such special reserve was fully utilised.

CONSOLIDATED STATEMENT OF CASH FLOW

Year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax:			
From continuing operations		**1,606,679**	1,564,855
From discontinued operations	12	**-**	35,630
Adjustments for:			
Finance costs	7	**282,272**	182,537
Share of losses of associates		**164,626**	3,559
Dividend income from equity investments at fair value through other comprehensive income/ available-for-sale investments		**(27,844)**	(30,009)
Interest income		**(156,426)**	(176,102)
Gain on disposal of subsidiaries	36	**-**	(107,069)
Gain on disposal of assets and liabilities of disposal groups classified as held for sale		**-**	(58,304)
Measurement of financial guarantee contracts	33	**(13,276)**	(5,930)
Change in fair value of an investment property	17	**(1,963)**	(2,069)
Depreciation of items of property, plant and equipment	16	**47,275**	39,833
Amortisation of prepaid land lease payments	18	**863**	863
Impairment of trade receivables, net	27	**185,415**	97,376
Impairment of contract assets, net	29	**147,370**	–
Impairment of other receivables, net	28	**(107,312)**	278,254
Listing expenses		**9,065**	42,857
Gain on disposal of items of property, plant and equipment		**(2,377)**	(39,980)
		2,134,367	1,826,301

	Notes	2018 RMB'000	2017 RMB'000
Decrease in inventories		**32,420**	90,101
Increase in contract assets		**(38,042,382)**	–
Increase in contract liabilities		**4,857,298**	–
Decrease/(increase) in amounts due from contract customers		**27,744,640**	(37,701)
(Decrease)/increase in amounts due to contract customers		**(4,374,621)**	1,564,149
Decrease in properties under development		**515,212**	55,486
Increase in completed properties held for sale		**(400,103)**	(179,902)
Decrease in trade and bills receivables		**1,018**	4,597,491
Decrease/(increase) in receivables under service concession arrangements		**42,278**	(42,278)
(Increase)/decrease in prepayments, other receivables and other assets		**(695,510)**	328,746
Increase/(decrease) in trade and bills payables		**7,478,201**	(9,440,935)
Increase in other payables and accruals		**3,922,419**	1,327,518
Decrease in advances from customers		**(1,873,287)**	(1,009,442)
Decrease in pledged deposits		**18,363**	782,351
Cash generated from/(used in) operating activities		**1,360,313**	(138,115)
Income tax paid		**(421,209)**	(336,723)
Net cash flows from/(used in) operating activities		**939,104**	(474,838)

	Notes	2018 RMB'000	2017 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**155,035**	176,102
Dividends received from equity investments at fair value through other comprehensive income/available for sale investments		**27,844**	42,509
Payments for acquisition of items of property, plant and equipment		**(245,838)**	(127,651)
Addition of investments in associates		**(39,009)**	–
Payments for acquisition of FVPL		**(4,500)**	–
Advances of loans to associates and joint ventures		**-**	(51,500)
Repayment of loans to associates and joint ventures		**-**	239,039
Proceeds from disposal of items of property, plant and equipment		**22,722**	62,480
Proceeds from disposal of subsidiaries, net of cash	37	**344,604**	255,206
Payments for addition of available-for-sale investments		**-**	(300,000)
Proceeds from disposal of assets and liabilities of disposal groups classified as held for sale, net of cash		**-**	659,496
Net cash flows from investing activities		**260,858**	955,681

Year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		(282,272)	(298,338)
Proceeds from issue of H shares through Hong Kong IPO		92,615	1,638,904
Payment of issuance cost in relation to Hong Kong IPO		-	(114,155)
Additions of interest-bearing bank borrowings and other borrowings		2,310,770	2,259,039
Repayment of interest-bearing bank borrowings and other borrowings		(1,517,692)	(3,451,437)
Dividends paid to shareholders		-	(1,531,400)
Dividends paid to non-controlling shareholders		-	(3,472)
Loans from related parties		-	3,267,000
Repayment of loans from related parties		(882,000)	(2,420,960)
Capital contribution by non-controlling shareholders		81,450	200,400
Capital contribution by shareholders of the Company	35	-	100,000
Acquisition of non-controlling interests		-	(2,000)
Pledged deposits as a guarantee for bank borrowings		(472,835)	
Net cash flows used in financing activities		(669,964)	(356,419)
NET INCREASE IN CASH AND CASH EQUIVALENTS		529,998	124,424
Cash and cash equivalents at beginning of year		5,288,019	5,163,595
CASH AND CASH EQUIVALENTS AT END OF YEAR		5,818,017	5,288,019
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		5,343,822	4,708,203
Non-pledged time deposits with original maturity of less than three months		474,195	579,816
Cash and cash equivalents as stated in the statement of cash flows		5,818,017	5,288,019

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2018

1. CORPORATE AND GROUP INFORMATION

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

During the year, the Group's principal activities were as follows:

- Construction contracting
- Property development and other businesses

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

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of registration and business	Registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
HCG Tianchen Construction Engineering Co., Ltd. ("河北建設集團天辰建築工程有限公司")	The PRC/ Mainland China	RMB230,000,000	87	13	Construction contracting
Zhongcheng Real Estate Development Co., Ltd. ("中誠房地產開發股份有限公司")	The PRC/ Mainland China	RMB200,000,000	90	10	Property development
HCG Installment Engineering Co., Ltd. ("河北建設集團安裝工程有限公司")	The PRC/ Mainland China	RMB180,000,000	61	39	Construction contracting
HCG Road and Bridge Engineering Co., Ltd. ("河北建設集團卓誠路橋工程有限公司")	The PRC/ Mainland China and housing construction	RMB105,000,000	52	48	Highway construction, municipal public works

1. CORPORATE AND GROUP INFORMATION (Continued)

Information about subsidiaries (Continued)

Name	Place of registration and business	Registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Huailai Zhongcheng Real Estate Development Co., Ltd. ("懷來中誠房地產開發有限公司")	The PRC/ Mainland China	RMB100,000,000	-	64	Property development
Baoding Zhongcheng Investment Management Co., Ltd. ("保定中誠投資管理有限公司")	The PRC/ Mainland China	RMB69,000,000	100	-	Property development and management
Hebei Construction Group Decoration Engineering Co., Ltd. ("河北建設集團裝飾工程有限公司")	The PRC/ Mainland China	RMB68,000,000	100	-	Construction contracting
Luanping Zhengcheng Real Estate Development Co., Ltd. ("灤平中誠房地產開發有限公司")	The PRC/ Mainland China	RMB50,000,000	-	51	Property development
Hebei Guangsha Property Management Co., Ltd. ("河北廣廈物業服務有限公司")	The PRC/ Mainland China	RMB3,000,000	-	100	Property management
Hebei Construction Group Wuhu Baojian Construction Co., Ltd. ("河北建設集團蕪湖寶建建設有限公司")	The PRC/ Mainland China	RMB1,000,000	100	-	Construction contracting
Dingzhou Tiande Environmental Science and Technology Co., Ltd. ("定州市天德環保科技有限公司")	The PRC/ Mainland China	RMB1,000,000	-	100	Sewage treatment

The financial statements of these principal subsidiaries above were not audited by Ernst & Young, Hong Kong, or another member firm of the Ernst & Young global network.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention except for investment property, equity investments, other unlisted investments and bills receivable which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2018. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

2.1 BASIS OF PREPARATION (Continued)

Basis of consolidation (Continued)

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained earnings, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(a) IFRS 15 and its amendments replace IAS 11 Construction Contracts, IAS 18 Revenue and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. IFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. As a result of the application of IFRS 15, the Group has changed the accounting policy with respect to revenue recognition.

The Group has adopted IFRS 15 using the modified retrospective method of adoption. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group has elected to apply the standard to contracts that are not completed as at 1 January 2018.

No significant effect of the initial application of IFRS 15 was recognised as an adjustment to the opening balance of retained profits as at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under IAS 11, IAS 18 and related interpretations.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(a) (Continued)

Set out below are the amounts by which each financial statement line item was affected as at 1 January 2018 as a result of the adoption of IFRS 15:

	Notes	**Increase/ (decrease)** *RMB'000*
Assets		
Amounts due from contract customers	*(i)*	(27,744,640)
Trade receivables	*(i)*	(451,853)
Receivables under service concession arrangements	*(i)*	(42,278)
Contract assets		28,238,771
Total assets		–
Liabilities		
Amounts due to contract customers	*(ii)*	(4,374,621)
Advances from customers	*(ii)*	(1,873,287)
Contract liabilities	*(ii)*	6,247,908
Total liabilities		–

Set out below are the amounts by which each financial statement line item was affected as at 31 December 2018 as a result of the adoption of IFRS 15. The adoption of IFRS 15 has had no impact on the statement of profit or loss, other comprehensive income or on the Group's operating, investing and financing cash flows. The first column shows the amounts recorded under IFRS 15 and the second column shows what the amounts would have been had IFRS 15 not been adopted:

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(a) (Continued)

Consolidated statement of financial position as at 31 December 2018:

		Amounts prepared under		
		IFRS 15	Previous IFRS	Increase/ (decrease)
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
Amounts due from contract customers	*(i)*	-	36,665,536	(36,665,536)
Trade receivables	*(i)*	-	487,373	(487,373)
Receivables under service concession arrangements	*(i)*	-	743,494	(743,494)
Contract assets	*(i)*	37,896,403	-	37,896,403
Total assets		37,896,403	37,896,403	-
Amounts due to contract customers	*(ii)*	-	4,039,166	(4,039,166)
Advances from customers	*(ii)*	-	818,132	(818,132)
Contract liabilities	*(ii)*	4,857,298	-	4,857,298
Total liabilities		4,857,298	4,857,298	-
Net assets		33,039,105	33,039,105	-

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(a) (Continued)

(i) Construction services

Before the adoption of IFRS 15, contract costs were recognised as an asset provided it was probable that they would be recovered. Such costs represented an amount due from the customers and were recorded as amounts due from contract customers in the statement of financial position before the construction services were billed to customers. Upon the adoption of IFRS 15, a contract asset is recognised when the Group performs by transferring goods or services to customers and the Group's right to consideration is conditional. Accordingly, the Group reclassified RMB27,744,640,000 from amounts due from contract customers to contract assets as at 1 January 2018.

Before the adoption of IFRS 15, retention receivables arising from construction contracts, that were conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts, were included in trade receivables. Upon adoption of IFRS 15, retention receivables are reclassified to contract assets. Accordingly, the Group reclassified RMB451,853,000 from trade receivables to contract assets as at 1 January 2018.

Before the adoption of IFRS 15, the receivables recognised under service concession arrangements in the scope of IFRIC Interpretation 12 Service Concession Arrangements were conditional to receive cash on the satisfaction of the service quality by the grantor as stipulated in the contracts and were recorded as receivables under service concession arrangements. Upon adoption of IFRS 15, receivables under service concession arrangements are reclassified to contract assets. Accordingly, the Group reclassified RMB42,278,000 from receivables under service concession arrangements to contract assets as at 1 January 2018.

As at 31 December 2018, the adoption of IFRS 15 resulted in a decrease in amounts due from contract customers of RMB36,665,536,000, a decrease in trade receivables of RMB487,373,000, a decrease in receivables under service concession arrangements of RMB743,494,000, and an increase in contract assets of RMB37,896,403,000.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(a) (Continued)

(ii) Consideration received from customers in advance

Before the adoption of IFRS 15, the Group recognised consideration received from customers in advance as advances from customers in other payables and amounts due to contract customers. Under IFRS 15, the amounts classified as contract liabilities which are included in other payables and accruals.

Therefore, upon adoption of IFRS 15, the Group reclassified RMB4,374,621,000 from amounts due to contract customers and RMB1,873,287,000 from advances from customers to contract liabilities, respectively, as at 1 January 2018 in relation to the consideration received from customers in advance as at 1 January 2018.

As at 31 December 2018, under IFRS 15, RMB4,039,166,000 was reclassified from amounts due to contract customers and RMB818,132,000 from advances from customers to contract liabilities for the provision of construction services and pre-sale of properties.

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

There were no significant transition adjustments against the applicable opening balances in equity at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under IAS 39.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES
(Continued)

(b) (Continued)

Classification and measurement

The following information sets out the impacts of adopting IFRS 9 on the statement of financial position, including the effect of replacing IAS 39's incurred credit loss calculations with IFRS 9's expected credit losses ("ECLs").

A reconciliation between the carrying amounts under IAS 39 and the balances reported under IFRS 9 as at 1 January 2018 is as follows:

		IAS 39 measurement			IFRS 9 measurement	
		Category	Amount	Re-classification	Amount	Category
	Note		*RMB'000*	*RMB'000*	*RMB'000*	
Equity investments designated at fair value through other comprehensive income		-	-	488,500	488,500	FVOCI[1]
From: Available-for-sale investments	*(i)*	AFS[2]	488,500	(488,500)	-	
Bills receivable			-	558,673	558,673	FVPL[4]
From: Bills receivable	*(ii)*	L&R[3]	558,673	(558,673)	-	
			1,047,173	-	1,047,173	

1. FVOCI: Financial assets at fair value through other comprehensive income
2. AFS: Available-for-sale investments
3. L&R: Loans and receivables
4. FVPL: Financial assets at fair value through profit or loss

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(b) (Continued)

Classification and measurement (Continued)

Notes:

(i) The Group has elected the option to irrevocably designate certain of its previous available-for-sale equity investments as equity investments at fair value through other comprehensive income.

(ii) The Group's bills receivable are managed with a business model under which bills receivable are not held to collect contractual cash flows but endorsed to suppliers prior to their expiry date. Accordingly, these bills receivable are reclassified as FVPL upon adoption of IFRS 9.

Other than the reclassification mentioned above, as of 1 January 2018, other financial assets previously classified as loans and receivables under IAS 39 were reclassified to financial assets at amortised cost under IFRS 9 at their original carrying values, and there have been no changes to the classification or measurement of financial liabilities as a result of the adoption of IFRS 9.

Changes to the impairment calculation

IFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The impact of adopting the expected credit loss model under IFRS 9 was not significant and, therefore, the Group made no adjustment to reserves as of 1 January 2018 for the changes in impairment.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(b) (Continued)

Changes to hedging accounting

The changes to hedging accounting would not have any financial impact on the Group's financial statements as it does not have hedging transactions.

All the other new and revised IFRSs above have no significant financial effect on the Group's financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to IFRS 3	*Definition of a Business*[2]
Amendments to IFRS 9	*Prepayment Features with Negative Compensation*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
IFRS 16	*Leases*[1]
IFRS 17	*Insurance Contracts*[3]
Amendments to IAS 1 and IAS 8	*Definition of Material*[2]
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*[1]
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*[1]
IFRIC Interpretation 23	*Uncertainty over Income Tax Treatments*[1]
Annual Improvements 2015-2017 Cycle	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2020
3 Effective for annual periods beginning on or after 1 January 2021
4 No mandatory effective date yet determined but available for adoption

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

While the adoption of some of the new and revised IFRSs may result in changes in accounting policies, none of these IFRSs is expected to have a significant impact on the Group's results of operations and financial position, except the following:

IFRS 16 replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC15 *Operating Leases – Incentives* and SIC 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two elective recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in IAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under IFRS 16 is substantially unchanged from the accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between operating leases and finance leases. IFRS 16 requires lessees and lessors to make more extensive disclosures than under IAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group will adopt IFRS 16 from 1 January 2019. The Group plans to adopt the transitional provisions in IFRS 16 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019 and will not restate the comparatives. In addition, the Group plans to apply the new requirements to contracts that were previously identified as leases applying IAS 17 and measure the lease liability at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application. The right-of-use asset will be measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before the date of initial application. The Group plans to use the exemptions allowed by the standard on lease contracts whose lease terms end within 12 months as of the date of initial application. During 2018, the Group has performed a detailed assessment on the impact of adoption of IFRS 16. The Group has estimated that right-of-use assets of RMB29,890,000 and lease liabilities of RMB33,723,000 will be recognised at 1 January 2019 with a corresponding adjustment to the opening balance of retained profits.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of associates and is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate is classified as held for sale, it is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations and goodwill (Continued)

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its investment property, equity investments and bills receivable at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair value measurement (Continued)

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

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1	–	based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2	–	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3	–	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, contract assets for the provision of construction services, financial assets, investment properties and non-current assets/a disposal group classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with IFRS 5. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	3.3% to 5%
Plant and machinery	8.2% to 25%
Motor vehicles	7.1% to 25%
Office equipment and others	15.5% to 33.3%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment and depreciation (Continued)

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of the retirement or disposal.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets (other than goodwill) (Continued)

Research and development costs

All research costs are charged to the statement of profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Properties under development

Properties under development are intended to be held for sale after completion.

Properties under development are stated at the lower of cost comprising land costs, construction costs, borrowing costs, and other costs directly attributable to such properties incurred during the development period and net realisable value.

Properties under development are classified as current assets unless they will not be realised in the normal operating cycle. On completion, the properties are transferred to completed properties held for sale.

Completed properties held for sale

Completed properties held for sale are stated in the statement of financial position at the lower of cost and net realisable value. Cost is determined by an apportionment of the total costs of land and buildings attributable to the unsold properties. Net realisable value takes into account the price ultimately expected to be realised, less estimated costs to be incurred in selling the properties.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Service concession arrangements

Consideration given by the grantor

A financial asset (contract assets) is recognised to the extent that (a) the Group has an unconditional right to receive cash or another financial asset from or at the direction of the grantor for the construction services rendered and/or the consideration paid and payable by the Group for the right to charge users of the public service; and (b) the grantor has little, if any, discretion to avoid payment, usually because the agreement is enforceable by law. The Group has an unconditional right to receive cash if the grantor contractually guarantees to pay the Group (a) specified or determinable amounts or (b) the shortfall, if any, between amounts received from users of the public service and specified or determinable amounts, even if the payment is contingent on the Group ensuring that the infrastructure meets specified quality of efficiency requirements. The financial asset (contract assets) is accounted for in accordance with the policy set out for financial assets at amortised cost (debt instruments) under "Investments and other financial assets (policies under IFRS 9 applicable from 1 January 2018)" below.

Construction or upgrade services

Revenue and costs relating to construction or upgrade services are accounted for in accordance with the policy set out for Construction services under "Revenue recognition (applicable from 1 January 2018)" below.

Operating services

Revenue relating to operating services is accounted for in accordance with the policy for "Revenue recognition" below. Costs for operating services are expensed in the period in which they are incurred.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Operating leases (Continued)

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Investments and other financial assets (policies under IFRS 9 applicable from 1 January 2018)

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition (applicable from 1 January 2018)" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (policies under IFRS 9 applicable from 1 January 2018) (Continued)

Initial recognition and measurement (Continued)

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (policies under IFRS 9 applicable from 1 January 2018) (Continued)

Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive income, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (policies under IAS 39 applicable before 1 January 2018)

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in profit or loss. The loss arising from impairment is recognised in profit or loss in finance costs for loans and in other expenses for receivables.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (policies under IAS 39 applicable before 1 January 2018) (Continued)

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in unlisted equity investments. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in profit or loss in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to profit or loss in other gains or losses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in profit or loss as other income in accordance with the policies set out for "Revenue recognition (applicable before 1 January 2018)" below.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (policies under IAS 39 applicable before 1 January 2018) (Continued)

Available-for-sale financial investments (Continued)

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

Derecognition of financial assets (policies under IFRS 9 applicable from 1 January 2018 and policies under IAS 39 applicable before 1 January 2018)

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derecognition of financial assets (policies under IFRS 9 applicable from 1 January 2018 and policies under IAS 39 applicable before 1 January 2018) (Continued)

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets (policies under IFRS 9 applicable from 1 January 2018)

The Group recognises an allowance for ECLs for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (policies under IFRS 9 applicable from 1 January 2018) (Continued)

General approach (Continued)

The Group may consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1	–	Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
Stage 2	–	Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
Stage 3	–	Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (policies under IFRS 9 applicable from 1 January 2018) (Continued)

Simplified approach (Continued)

For contract assets that contains a significant financing component, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

Impairment of financial assets (policies under IAS 39 applicable before 1 January 2018)

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (policies under IAS 39 applicable before 1 January 2018) (Continued)

Financial assets carried at amortised cost (Continued)

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in profit or loss.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is removed from other comprehensive income and recognised in profit or loss.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (policies under IAS 39 applicable before 1 January 2018) (Continued)

Available-for-sale financial investments (Continued)

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss – is removed from other comprehensive income and recognised in profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

Financial liabilities (policies under IFRS 9 applicable from 1 January 2018 and IAS 39 applicable before 1 January 2018)

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings and payables.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, interest-bearing bank and other borrowings and other payables.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities (policies under IFRS 9 applicable from 1 January 2018 and IAS 39 applicable before 1 January 2018) (Continued)

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Financial guarantee contracts (policies under IFRS 9 applicable from 1 January 2018)

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contracts at the higher of: (i) the ECL allowance determined in accordance with the policy as set out in "Impairment of financial assets (policies under IFRS 9 applicable from 1 January 2018)"; and (ii) the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities (policies under IFRS 9 applicable from 1 January 2018 and IAS 39 applicable before 1 January 2018) (Continued)

Financial guarantee contracts (policies under IAS 39 applicable before 1 January 2018)

A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

Derecognition of financial liabilities (policies under IFRS 9 applicable from 1 January 2018 and IAS 39 applicable before 1 January 2018)

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments (policies under IFRS 9 applicable from 1 January 2018 and IAS 39 applicable before 1 January 2018)

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

The Group provides for warranties in relation to the sale of certain products and the provision of construction services for general repairs of defects occurring during the warranty period. Provisions for these assurance-type warranties granted by the Group are recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (applicable from 1 January 2018)

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

(a) Construction services

Revenue from the provision of construction services is recognised over time, using an input method to measure progress towards complete satisfaction of the service, because the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. The input method recognises revenue based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of the construction services.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (applicable from 1 January 2018) (Continued)

Revenue from contracts with customers (Continued)

(b) Sale of properties

Revenue from property development and sales contracts for which the control of the property is transferred at a point in time is recognised when the customer obtains the physical possession or the legal title of the completed property and the Group has a present right to payment and the collection of the consideration is probable.

(c) Sale of goods and services

Revenue from the sale of goods and services is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods and services.

Revenue from other sources

Rental income is recognised on a time proportion basis over the lease terms.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (applicable before 1 January 2018)

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) from construction contracts, on the percentage of completion basis, as further explained in the accounting policy for "Construction contracts (applicable before 1 January 2018)" below;

(c) from the rendering of services, on the percentage of completion basis, as further explained in the accounting policy for "Contracts for services (applicable before 1 January 2018)" below;

(d) rental income, on a time proportion basis over the lease terms;

(e) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset; and

(f) dividend income, when the shareholders' right to receive payment has been established.

Contract assets (applicable from 1 January 2018)

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contract liabilities (applicable from 1 January 2018)

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received a consideration (or an amount of consideration that is due) from the customer. If a customer pays the consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

Construction contracts (applicable before 1 January 2018)

Contract revenue comprises the agreed contract amount and appropriate amounts from variation orders, claims and incentive payments. Contract costs incurred comprise direct materials, the costs of subcontracting, direct labour and an appropriate proportion of variable and fixed construction overheads.

Revenue from fixed price construction contracts is recognised using the percentage of completion method, measured by reference to the proportion of costs incurred to date to the estimated total cost of the relevant contract.

Revenue from cost plus construction contracts is recognised using the percentage of completion method, by reference to the recoverable costs incurred during the period plus the related fee earned, measured by the proportion of costs incurred to date to the estimated total cost of the relevant contract.

Provision is made for foreseeable losses as soon as they are anticipated by management. Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers. Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

Contracts for services (applicable before 1 January 2018)

Contract revenue on the rendering of services comprises the agreed contract amount. Costs of rendering services comprise labour and other costs of personnel directly engaged in providing the services and attributable overheads.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contracts for services (applicable before 1 January 2018) (Continued)

Revenue from the rendering of services is recognised based on the percentage of completion of the transaction. The percentage of completion is established by reference to the costs incurred to date as compared to the total costs to be incurred under the transaction.

Provision is made for foreseeable losses as soon as they are anticipated by management. Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers. Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies

These financial statements are presented in RMB, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item.

Employee benefits

Social pension plans

The Group has social pension plans for its employees arranged by local government labour and security authorities. The Group makes contributions on a monthly basis to the social pension plans. The contributions are charged to profit or loss as they become payable in accordance with the rules of the social pension plans. Under the plans, the Group has no further obligations beyond the contributions made.

Housing fund and other social insurances

The Group has participated in defined social security contribution schemes for its employees pursuant to the relevant laws and regulations of the PRC. These include housing fund, basic medical insurance, unemployment insurance, injury insurance and maternity insurance. The Group makes monthly contributions to the housing fund and other social insurances. The contributions are charged to profit or loss on an accrual basis. The Group has no further obligations beyond the contributions made.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Production safety expenses

Production safety expenses accrued based on the Production Safety Law of the People's Republic of China shall be provided in retained profits for the current period, and recorded as a fund in the special reserve. When the expenditures are utilised as expenses, they should be recognised in profit or loss and offset against the special reserve; when the expenditures incurred relate to fixed assets, they shall be recognised in the cost of fixed assets, which will be recognised when it is ready for use. The same amount as the expenditure will be offset against the special reserve and recorded as accumulated depreciation equivalent at the same time.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

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

Revenue from contracts with customers

The Group has applied the following judgement that significantly affects the determination of the amount and timing of revenue from contracts with customers:

Determining the timing of satisfaction of construction services

The Group concluded that revenue from the provision of construction services is recognised over time, using an input method to measure progress towards complete satisfaction of the service, because the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. The fact that the Group is building on the customer's land and the customer generally controls any work in progress arising from the Group's performance demonstrates that the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Progress of completion of construction and design service works

Revenue recognition on a project is dependent on management's estimation of the total outcome of the construction contracts and is measured by reference to the proportion of costs incurred to date to the estimated total cost of the relevant contract. The Group reviews and revises the estimates of total contract costs, prepared for each construction contract as the contract progresses. Budgeted construction costs are prepared by management on the basis of quotations from time to time provided by the major subcontractors, suppliers or vendors involved and the experience of management. In order to keep the budget accurate and up-to-date, management conducts periodic reviews of the management budgets by comparing the budgeted amounts to the actual amounts incurred. Total budgeted costs for construction contracting and architectural design services comprise (i) direct material costs and direct labour, (ii) costs of subcontracting, and (iii) an appropriation of variable and fixed construction and services overheads. In estimating the total budgeted costs for construction contracting and architectural design services, management makes reference to information such as (i) current offers from subcontractors and suppliers, (ii) recent offers agreed with subcontractors and suppliers, and (iii) an estimation on material costs, labour costs and other costs with reference to past experience.

Estimation of total budgeted costs and cost to completion for construction contracting

Total budgeted costs for construction contracting comprise (i) direct material costs and direct labour, (ii) costs of subcontracting, and (iii) an appropriation of variable and fixed construction and services overheads. In estimating the total budgeted costs for construction contracting, management refers to information such as (i) current offers from subcontractors and suppliers, (ii) recent offers agreed with subcontractors and suppliers, and (iii) professional estimation on material costs, labour costs and other costs.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

Deferred tax assets

Deferred tax assets relating to certain deductible temporary differences are recognised as management considers it is probable that future taxable profits will be available against which the unused temporary differences or unused tax losses can be utilised. The realisation of the deferred tax assets mainly depends on whether sufficient future taxable profits or taxable temporary differences will be available in the future. In cases where the actual future taxable profits generated are less than expected, a material reversal of deferred tax assets may arise, which will be recognised in profit or loss in the period in which such a reversal takes place. The carrying value of deferred tax assets relating to recognised tax losses as at 31 December 2018 was RMB17,633,000 (2017: RMB22,569,000). The amount of unrecognised tax losses as at 31 December 2018 was RMB47,816,000 (2017: RMB104,361,000). Further details are contained in note 21 to the financial statements.

PRC land appreciation tax ("LAT")

The Group is subject to LAT in the PRC. The provision for LAT is based on management's best estimates according to the understanding of the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon the completion of the property development projects. The Group has not finalised its LAT calculation and payments with the tax authorities for certain its property development projects. When the final outcome is determined, it may be different from the amounts that were initially recorded, and any differences will affect the current income tax expense and LAT provision in the period in which LAT is ascertained. The amount of LAT for the year ended 31 December 2018 was RMB20,835,000 (2017: RMB61,802,000). Further details are contained in note 11 to the financial statements.

Fair value of unlisted equity investments

Upon adoption of IFRS 9 from 1 January 2018, the Group classified certain unlisted equity investments as equity investments at fair value through other comprehensive income. These unlisted equity investments have been valued based on a market-based valuation technique as detailed in note 45 to the financial statements. The valuation requires the Group to determine the comparable public companies (peers) and select the price multiple. In addition, the Group makes estimates about the discount for illiquidity and size differences. The Group classifies the fair value of these investments as Level 3. The fair value of the unlisted equity investments at 31 December 2018 was RMB569,700,000. Further details are included in note 20 to the financial statements.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

Provision for expected credit losses on trade receivables and contract assets

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type and customer type).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic products) are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customers' actual default in the future. The information about the ECLs on the Group's trade receivables and contract assets is disclosed in note 27 and note 29 to the financial statements, respectively.

Provision for expected credit losses on other receivables

The impairment loss in respect of other receivables of the Group is based on the evaluation of collectability and ageing analysis of other receivables and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these other receivables, including the current creditworthiness and the past collection history of each debtor. If the financial conditions of debtors of the Group were to deteriorate, resulting in an impairment of their abilities to make payments, additional allowances may be required.

The carrying amounts of the Group's other receivables are disclosed in note 28 to the financial statements.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

Estimation of fair value of investment property

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

(a) current prices in an active market for properties of a different nature, condition or location, adjusted to reflect those differences;

(b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the dates of the transactions that occurred at those prices; and

(c) discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The carrying amount of investment property at 31 December 2018 was RMB137,402,000 (2017: RMB135,439,000). Further details, including the key assumptions used for fair value measurement and a sensitivity analysis, are given in note 17 to the financial statements.

5. OPERATING SEGMENT INFORMATION

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

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

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

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

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

5. OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 December 2018

	Construction contracting *RMB'000*	Others *RMB'000*	Total *RMB'000*
Segment revenue *(note 6)*			
Sales to external customers	44,352,150	2,297,093	46,649,243
Intersegment sales	917,660	82,798	1,000,458
Total revenue	45,269,810	2,379,891	47,649,701
Reconciliation:			
Elimination of intersegment sales			(1,000,458)
Revenue			46,649,243
Segment results	1,736,774	(68,173)	1,668,601
Reconciliation:			
Elimination of intersegment results			(61,922)
Profit before tax			1,606,679
Segment assets	67,779,095	8,030,468	75,809,563
Reconciliation:			
Elimination of intersegment receivables			(15,089,525)
Total assets			60,720,038

5. OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 December 2018

	Construction contracting *RMB'000*	Others *RMB'000*	Total *RMB'000*
Segment liabilities	61,596,509	6,333,529	67,930,038
Reconciliation:			
Elimination of intersegment payables			(12,898,393)
Total liabilities			55,031,645
Other segment information:			
Depreciation	32,924	14,351	47,275
Amortisation of prepaid land lease payments	–	863	863
Impairment loss on financial and contract assets, net	147,205	78,268	225,473
Share of profits and losses of associates	(127)	164,753	164,626
Investments in associates	48,060	825,106	873,166
Capital expenditure*	184,721	61,117	245,838

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

5. OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 December 2017

	Construction contracting RMB'000	Others RMB'000	Total RMB'000
Segment revenue			
Sales to external customers	38,909,449	2,267,886	41,177,335
Intersegment sales	703,958	39,546	743,504
Total revenue	39,613,407	2,307,432	41,920,839
Reconciliation:			
Elimination of intersegment sales			(743,504)
Revenue from continuing operations			41,177,335
Segment results	1,425,341	320,137	1,745,478
Reconciliation:			
Elimination of intersegment results			(180,623)
Profit before tax from continuing operations			1,564,855
Segment assets	56,223,560	7,450,735	63,674,295
Reconciliation:			
Elimination of intersegment receivables			(12,915,633)
Total assets			50,758,662
Segment liabilities	51,537,489	6,116,163	57,653,652
Reconciliation:			
Elimination of intersegment payables			(11,206,299)
Total liabilities			46,447,353

5. OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 December 2017

	Construction contracting RMB'000	Others RMB'000	Total RMB'000
Other segment information:			
Depreciation	31,070	8,763	39,833
Amortisation	–	863	863
Impairment loss on financial assets, net	351,464	24,166	375,630
Share of losses of associates	122	3,437	3,559
Capital expenditure	75,486	52,165	127,651

Geographical information

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

Information about major customers

The Group has diversified customers, and no single customer from whom the revenue was derived accounted for more than 10% of the Group's total revenue for the year ended 31 December 2018 (2017: Nil).

6. REVENUE, OTHER INCOME AND GAINS

An analysis of the Group's revenue is as follows:

	2018 ***RMB'000***	2017 *RMB'000*
Revenue from contracts with customers	**46,643,561**	–
Construction contracts	**–**	38,909,449
Sale of properties	**–**	2,154,976
Sale of goods and other services	**–**	107,619
Revenue from other sources		
Gross rental income	**5,682**	5,291
	46,649,243	41,177,335

6. REVENUE, OTHER INCOME AND GAINS (Continued)

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2018

Segments	Construction contracting *RMB'000*	Others *RMB'000*	Total *RMB'000*
Type of goods or services			
Building construction contracting	29,727,837	–	29,727,837
Infrastructure construction contracting	10,754,327	690,229	11,444,556
Specialised and other construction contracting	3,499,139	–	3,499,139
Sale of properties	–	1,454,806	1,454,806
Sale of goods and other services	369,322	147,901	517,223
Total revenue from contracts with customers	44,350,625	2,292,936	46,643,561
Timing of revenue recognition			
Services transferred over time	43,981,303	699,808	44,681,111
Goods transferred at a point in time	369,322	1,593,128	1,962,450
Total revenue from contracts with customers	44,350,625	2,292,936	46,643,561

6. REVENUE, OTHER INCOME AND GAINS (Continued)

Revenue from contracts with customers (Continued)

(i) Disaggregated revenue information (Continued)

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information:

For the year ended 31 December 2018

Segments	Construction contracting RMB'000	Others RMB'000	Total RMB'000
Revenue from contracts with customers			
External customers	44,350,625	2,292,936	46,643,561
Intersegment sales	917,660	57,923	975,583
	45,268,285	2,350,859	47,619,144
Intersegment adjustments and eliminations	(917,660)	(57,923)	(975,583)
Total revenue from contracts with customers	44,350,625	2,292,936	46,643,561

6. REVENUE, OTHER INCOME AND GAINS (Continued)

Revenue from contracts with customers (Continued)

(i) Disaggregated revenue information (Continued)

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period:

	2018
	RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:	
Building construction contracting	**1,775,648**
Infrastructure construction contracting	**1,144,074**
Specialised and other construction contracting	**201,293**
Sale of properties	**1,204,007**
	4,325,022

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Construction services

The performance obligation is satisfied over time as services are rendered and payment is generally due within 90 days from the date of billing. A certain percentage of payment is retained by customers until the end of the retention period as the Group's entitlement to the final payment is conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts.

Sale of goods

The performance obligation is satisfied upon delivery of the goods and payment is generally due within 90 days from delivery, except for new customers, where payment in advance is normally required.

6. REVENUE, OTHER INCOME AND GAINS (Continued)

Revenue from contracts with customers (Continued)

(ii) Performance obligations (Continued)

Property development

The performance obligation is satisfied when the customer obtains the physical possession or the legal title of the completed property and the Group has a present right to payment and the collection of the consideration is probable.

The transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2018 are as follows:

	2018 ***RMB'000***
Total remaining performance obligations	**82,338,117**

Based on the information available to the Group at the end of each reporting period, the management of the Company expects the transaction price allocated to the contracts under construction and sale of properties as at 31 December 2018 will be recognised as revenue in the period of next six months to three years, amounting to RMB82,338,117,000.

	2018 ***RMB'000***	2017 *RMB'000*
Other income		
Interest income	**155,035**	176,102
Dividend income from equity investments at fair value through other comprehensive income	**27,844**	–
Dividend income from available-for-sale investments	**–**	30,009
Interest income arising from revenue contracts	**1,391**	–
	184,270	206,111

6. REVENUE, OTHER INCOME AND GAINS (Continued)

Revenue from contracts with customers (Continued)

	Notes	2018 RMB'000	2017 RMB'000
Gains			
Gain on disposal of items of property, plant and equipment, and prepaid land lease payments		**2,377**	39,980
Government grant		**12,398**	1,529
Change in fair value of an investment property	17	**1,963**	2,069
Gain on disposal of subsidiaries	37	**-**	107,069
Gain on disposal of assets and liabilities of disposal groups classified as held for sale		**-**	22,674
Others		**1,093**	2,482
		17,831	175,803
		202,101	381,914

7. FINANCE COSTS

An analysis of finance costs from continuing operations is as follows:

	2018 RMB'000	2017 RMB'000
Interest on bank loans and other borrowings	**360,065**	315,376
Less: Interest capitalised	**(77,793)**	(132,839)
Finance costs	**282,272**	182,537

8. PROFIT BEFORE TAX FROM CONTINUING OPERATIONS

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

	Notes	2018 RMB'000	2017 RMB'000
Cost of construction contracting		**42,570,126**	37,299,983
Cost of others		**1,512,195**	1,646,390
Total cost of sales		**44,082,321**	38,946,373
Depreciation*	16	**47,275**	39,833
Amortisation of prepaid land lease payments*	18	**863**	863
Total depreciation and amortisation		**48,138**	40,696
Research and development costs		**34,805**	29,600
Government grants released**		**(12,398)**	(1,529)
Impairment of financial and contract assets, net			
Impairment of trade receivables, net	27	**185,415**	97,376
Impairment of contract assets, net	29	**147,370**	–
(Reversal of)/impairment of financial assets included in prepayments, other receivables and other assets, net	28	**(107,312)**	278,254
Auditors' remuneration		**4,600**	6,800
Employee benefit expenses (including directors' and supervisors' remuneration):		**247,988**	227,731
Wages, salaries and allowances		**189,406**	180,073
Social insurance		**48,887**	38,135
Welfare and other expenses		**9,695**	9,523
Interest income		**(155,035)**	(176,102)
Foreign exchange differences, net		**29,006**	–
Gain on disposal of items of property, plant and equipment, and prepaid land lease payments		**(2,377)**	(39,980)
Change in fair value of an investment property		**(1,963)**	(2,069)
Dividend income from equity investments at fair value through other comprehensive income/available-for-sale investments		**(27,844)**	(30,009)
Gain on disposal of subsidiaries	37	**-**	(107,069)
Gain on disposal of assets and liabilities of disposal groups classified as held for sale		**-**	(22,674)

8. PROFIT BEFORE TAX FROM CONTINUING OPERATIONS (Continued)

* The amounts of these expenses are included in "Cost of sales", "Selling and distribution expenses" and "Administrative expenses" in the consolidated statement of profit or loss.

** Government grants mainly consist of fund received from the finance bureau in support of the Group's service concession arrangements.

9. DIRECTORS' AND SUPERVISORS' REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2018 *RMB'000*	2017 *RMB'000*
Fees	**-**	–
Others emoluments:		
Salaries, allowances and benefits in kind	**1,114**	1,029
Performance – related bonuses	**3,773**	3,967
Pension scheme contributions	**240**	217
	5,127	5,213

(a) Independent non-executive directors

No fees were paid to independent non-executive directors during the year (2017: Nil).

There were no other emoluments payable to the independent non-executive directors during the year (2017: Nil).

9. DIRECTORS' AND SUPERVISORS' REMUNERATION (Continued)

(b) Executive directors and non-executive directors

	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
2018					
Executive directors					
Mr. Li Baozhong	-	223	720	48	991
Ms. Liu Shuzhen	-	175	461	48	684
Mr. Liu Yongjian	-	175	720	48	943
Mr. Shang Jinfeng	-	184	576	48	808
Non-executive directors					
Mr. Li Baoyuan	-	164	720	-	884
Mr. Cao Qingshe	-	193	576	48	817
	-	1,114	3,773	240	5,127
2017					
Executive directors					
Mr. Li Baozhong	-	212	654	48	914
Ms. Liu Shuzhen	-	164	419	48	631
Mr. Liu Yongjian	-	164	419	48	631
Mr. Shang Jinfeng	-	151	1,298	25	1,474
Non-executive directors					
Mr. Li Baoyuan	-	156	654	-	810
Mr. Cao Qingshe	-	182	523	48	753
	-	1,029	3,967	217	5,213

There was no arrangement under which the directors waived or agreed to waive any remuneration during the year.

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included five directors (2017: five directors), details of whose remuneration are set out in note 9 above.

11. INCOME TAX EXPENSE

Provision for Mainland China current income tax is based on the statutory rate of 25% of the assessable profits of the PRC subsidiaries of the Group as determined in accordance with the PRC Corporation Income Tax Law which was approved and became effective on 1 January 2008 (the "New Corporate Income Tax Law").

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

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

	2018	2017
	RMB'000	*RMB'000*
Current income tax	**528,471**	441,353
LAT	**20,835**	61,802
Deferred income tax *(note 21)*	**(75,681)**	(5,706)
Tax charge for the year from continuing operations	**473,625**	497,449
Tax charge for the year from discontinued operations	**-**	8,908
	473,625	506,357

11. INCOME TAX EXPENSE (Continued)

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

	2018 RMB'000	2017 RMB'000
Profit before tax from continuing operations	**1,606,679**	1,564,855
Profit before tax from discontinued operations	**-**	35,630
	1,606,679	1,600,485
Income tax charge at the statutory income tax rate	**401,670**	400,121
Losses attributable to associates	**41,157**	890
Income not subject to tax	**(6,961)**	(7,502)
Expenses not deductible for tax	**5,764**	14,669
Tax losses not recognised	**11,954**	20,473
LAT	**20,835**	61,802
Tax effect of LAT deductible for PRC Corporate Income Tax ("CIT")	**(5,209)**	(15,451)
Others	**4,415**	31,355
Tax charge for the year at the Group's effective rate	**473,625**	506,357
Tax charge from continuing operations at the Group's effective rate	**473,625**	497,449
Tax charge from discontinued operations at the Group's effective rate	**-**	8,908

No share of tax attributable to associates (2017: Nil) is included in "Share of losses of associates" in the consolidated statement of profit or loss.

12. DISCONTINUED OPERATION

In November 2016, the Group decided to dispose of the entire interests in subsidiaries engaged in the water utility services, construction labour services and other non-core businesses (collectively, "the Disposal Group"). The reason for the disposal is to delineate other businesses operated by the Group from its principal business. The Disposal Group was classified as a disposal group held for sale and as discontinued operations since then. With the Disposal Group being classified as discontinued operations, the related businesses are no longer included in the note for operating segment information. The disposal was completed in January 2017.

The results of the Disposal Group presented as discontinued operations for the year ended 31 December 2017 are as follows:

	2017 *RMB'000*
Gains on disposal of the discontinued operations	35,630
Income tax expense	(8,908)
Profit for the year from the discontinued operations	26,722
Attributable to:	
Owners of the parent	26,722

	2017
Earnings per share	
(expressed in RMB per share)	
Basic and diluted, from the discontinued operation	0.02

The calculation of basic earnings per share from the discontinued operations is based on:

	2017 *RMB'000*
Profit attributable to ordinary equity holders of the parent from the discontinued operations	26,722

12. DISCONTINUED OPERATION (Continued)

	2017
Number of shares:	
Weighted average number of ordinary shares in issue during the year, used in the basic earnings per share calculation (note 15)	1,309,315,000

13. PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated profit attributable to owners of the parent for the year ended 31 December 2018 includes profits of RMB931,209,000 (2017: RMB1,211,726,000), which have been dealt with in the financial statements of the Company (note 48).

14. DIVIDENDS

The dividends during the year are set out below:

	2017
	RMB'000
Dividends declared to owners of the parent	1,651,400

The rates of distribution are not presented as the dividends during the 2017 are declared prior to the listing of the Company's shares and this information is not meaningful for the purpose of this statement.

A final dividend for the year ended 31 December 2018 of RMB0.30 (tax inclusive) per ordinary share, totalling approximately RMB528,415,050 is to be proposed at the upcoming annual general meeting according to the resolution passed at the Board meeting held on 25 March 2019. These financial statements have not reflected this proposed dividend.

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

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares of 1,761,075,000 (2017: 1,309,315,000) in issue during the year, as adjusted to reflect the rights issue during the year.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2018 and 2017 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2018 and 2017.

The calculations of basic and diluted earnings per share are based on:

	2018 RMB'000	2017 RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation:		
From continuing operations	1,112,520	1,025,524
From discontinued operations	–	26,722
	1,112,520	1,052,246

	Number of shares	
	2018	2017
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted earnings per share calculation	1,761,075,000	1,309,315,000

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Office equipment and others RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2018						
At 31 December 2017 and at 1 January 2018:						
Cost	264,194	151,284	102,642	80,642	65,978	664,740
Accumulated depreciation	(16,854)	(76,682)	(75,710)	(61,265)	-	(230,511)
Net carrying amount	247,340	74,602	26,932	19,377	65,978	434,229
At 1 January 2018, net of accumulated depreciation	247,340	74,602	26,932	19,377	65,978	434,229
Additions	37,731	13,885	3,694	21,307	169,221	245,838
Disposals	(10,425)	(5,235)	(4,440)	(245)	-	(20,345)
Disposal of a subsidiary *(note 37)*	-	-	-	(1,959)	-	(1,959)
Depreciation provided during the year	(9,705)	(13,599)	(7,810)	(16,161)	-	(47,275)
At 31 December 2018, net of accumulated depreciation	264,941	69,653	18,376	22,319	235,199	610,488
At 31 December 2018:						
Cost	294,532	153,151	88,313	99,319	235,199	870,514
Accumulated depreciation	(29,591)	(83,498)	(69,937)	(77,000)	-	(260,026)
Net carrying amount	264,941	69,653	18,376	22,319	235,199	610,488

16. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Buildings RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Office equipment and others RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2017						
At 31 December 2016 and at 1 January 2017:						
Cost	86,334	148,013	100,039	74,913	159,927	569,226
Accumulated depreciation	(8,574)	(69,756)	(69,024)	(52,723)	-	(200,077)
Net carrying amount	77,760	78,257	31,015	22,190	159,927	369,149
At 1 January 2017, net of accumulated depreciation	77,760	78,257	31,015	22,190	159,927	369,149
Additions	13,770	9,573	6,647	12,343	85,318	127,651
Disposals	(10,680)	(6,094)	(419)	(4,692)	(615)	(22,500)
Transfers	178,652	-	-	-	(178,652)	-
Disposal groups classified as held for sale	-	-	(229)	(9)	-	(238)
Depreciation provided during the year	(12,162)	(7,134)	(10,082)	(10,455)	-	(39,833)
At 31 December 2017, net of accumulated depreciation	247,340	74,602	26,932	19,377	65,978	434,229
At 31 December 2017:						
Cost	264,194	151,284	102,642	80,642	65,978	664,740
Accumulated depreciation	(16,854)	(76,682)	(75,710)	(61,265)	-	(230,511)
Net carrying amount	247,340	74,602	26,932	19,377	65,978	434,229

As at 31 December 2018, certain of the Group's buildings with a net carrying amount of approximately RMB6,206,000 (2017: RMB17,268,000) were pledged to secure bank facilities granted to the Group (note 34).

As at 31 December 2018, certain of the Group's construction in progress with a net carrying amount of approximately RMB177,511,000 (2017:RMB42,988,000) as at 31 December 2018 were pledged to secure bank facilities granted to the Group (note 34).

17. INVESTMENT PROPERTY

	2018 RMB'000	2017 RMB'000
Carrying amount at 1 January	**135,439**	133,370
Net gain from fair value adjustment	**1,963**	2,069
Carrying amount at 31 December	**137,402**	135,439

The Group's investment property represents one commercial property located in Baoding City of Hebei Province in Mainland China. The Group's investment property was revalued on 31 December 2018 by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent professionally qualified valuer.

The investment property is leased to a third party under an operating lease, further summary details of which are included in note 41 to the financial statements.

No investment property (2017: investment property with a carrying amount of RMB135,439,000) as at 31 December 2018 was pledged to secure the bank loans granted to the Group (note 34).

Fair value hierarchy

The Group made recurring fair value measurement as at 31 December 2018 using significant unobservable inputs (Level 3). During the year, there was no transfer of fair value measurement into or out of Level 3.

17. INVESTMENT PROPERTY (Continued)

Fair value hierarchy (Continued)

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

	Commercial property *RMB'000*
Carrying amount at 1 January 2017	133,370
Net gain from fair value adjustments recognised in other income and gains	2,069
Carrying amount at 31 December 2017 and 1 January 2018	135,439
Net gain from fair value adjustments recognised in other income and gains	1,963
Carrying amount at 31 December 2018	137,402

17. INVESTMENT PROPERTY (Continued)

Fair value hierarchy (Continued)

Below is a summary of the valuation technique used and the key inputs to the valuation of investment property:

	Valuation technique	Significant unobservable inputs	Range or weighted average 2018	2017
Retail property	The term and reversion method	Term yield	**3.50%**	3.50%
		Reversionary yield	**4.50%**	4.50%
		Market rent *(RMB per square meter ("sqm") per month ("p.m."))*	**103-203**	103-203

The term and reversion method measures the fair value of the properties by taking into account the net rental income of the property derived from the existing leases and/or achievable in the existing market with due allowance for the reversionary income potential of the leases, which have been then capitalised to determine the fair value at an appropriate capitalisation rate.

A significant increase/(decrease) in market rent in isolation would result in the a significantly higher/(lower) fair value of the investment property. A significant increase/(decrease) in the term yield in isolation would result in a significantly higher/(lower) fair value of the investment property. A significant increase/(decrease) in the reversionary yield in isolation would result in a significantly (lower)/higher fair value of the investment property.

18. PREPAID LAND LEASE PAYMENTS

	2018	2017
	RMB'000	*RMB'000*
Carrying amount at 1 January	**37,358**	38,221
Amortisation during the year	**(863)**	(863)
Carrying amount at 31 December	**36,495**	37,358
Current portion included in prepayments, other receivables and other assets	**(863)**	(863)
Non-current portion	**35,632**	36,495

19. INVESTMENTS IN ASSOCIATES

	2018
	RMB'000
Share of net assets	**304,169**
Loan to an associate*	**680,133**
Provision for impairment	**(111,136)**
	873,166

* The loan to an associate is unsecured, interest-free and has no fixed terms of repayment repayable on demand. In the opinion of the directors, this loan is unlikely to be repaid in the foreseeable future and is considered as part of the Group's net investment in the associate.

19. INVESTMENTS IN ASSOCIATES (Continued)

	2017 RMB'000
Share of net assets	318,650
Loan to an associate**	72,409

** The loan to an associate as at 31 December 2017 had the annual interest rate of 4.9%, and matured on 26 November 2018.

The Group's trade receivable and payable balances with the associates are disclosed in the note 43 to the financial statements.

Particulars of the principal associates are as follows:

Name	Particulars of issued shares held	Place of registration and business	Percentage of ownership interest attributable to the Group	Principal activities
Rongcheng Hengda Construction Investment Co., Ltd.	Registered capital RMB1 each	The PRC/ Mainland China	29%	Construction contracting
Xiaoyan Culture Communication Co., Ltd.	Registered capital RMB1 each	The PRC/ Mainland China	31%	Exhibition service and culture transmission
Dalian Runtian Housing Development Co. Ltd.	Registered capital RMB1 each	The PRC/ Mainland China	15%	Infrastructure construction and landscaping construction
Baoding Zhucheng Real Estate Development Co., Ltd. ("BD Zhongcheng")	Registered capital RMB1 each	The PRC/ Mainland China	51%	Real estate development and operation, housing sales agency and rental agency
Chengdu New Era Tiancheng Property Co., Ltd. ("CD New Era")	Registered capital RMB1 each	The PRC/ Mainland China	30%	Real estate development and operation, housing sales agency and rental agency

19. INVESTMENTS IN ASSOCIATES (Continued)

Name	Particulars of issued shares held	Place of registration and business	Percentage of ownership interest attributable to the Group	Principal activities
Hebei Zitan Real Estate Development Co., Ltd.	Registered capital RMB1 each	The PRC/ Mainland China	40%	Real estate development and operation
Zhongyuan Environmental Protection (Neihuang) Ecological Construction Project Management Co., Ltd.	Registered capital RMB1 each	The PRC/ Mainland China	5%	Landscaping construction and operation; construction, operation and management of municipal engineering construction facilities, environmental protection projects and water infrastructure projects
Bozhou Xiangju Construction Engineering Co., Ltd.	Registered capital RMB1 each	The PRC/ Mainland China	11%	Infrastructure construction and operation; project management and maintenance;property management and leasing
Guang'an Zhongcheng Real Estate Development Co., Ltd.	Registered capital RMB1 each	The PRC/ Mainland China	30%	Real estate development and operation

The Group has less than 20% of equity interests in Dalian Runtian Housing Development Co. Ltd., Zhongyuan Environmental Protection (Neihuang) Ecological Construction Project Management Co., Ltd., Bozhou Xiangju Construction Engineering Co., Ltd. With the Group's presence in the boards of these companies and participation in the financial and operating activities of these companies, the Group can exercise significant influence over these companies. Accordingly, these companies are accounted for as associates.

The Group has more than 50% of equity interests in BD Zhongcheng. But without the ability to affect variable returns from its involvement with this company through its power over the company, this company is not considered a subsidiary of the Group. Meanwhile, the Group can exercise significant influence over this company with the Group's presence in the board of this company and participation in the financial and operating activities of this company. Accordingly, this company is accounted for as an associate.

19. INVESTMENTS IN ASSOCIATES (Continued)

Except for the investments in Rongcheng Hengda Construction Investment Co., Ltd. and Bozhou Xiangju Construction Engineering Co., Ltd., the above investments are directly held by the Company.

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	2018	2017
	RMB'000	*RMB'000*
Share of the associates' loss and total comprehensive loss for the year	**(164,626)**	(3,559)
Aggregate carrying amount of the Group's investments in the associates	**873,166**	318,650

20. EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME/ AVAILABLE-FOR-SALE INVESTMENTS

	2018	2017
	RMB'000	*RMB'000*
Equity investments designated at fair value through other comprehensive income		
Unlisted equity investments, at fair value		
Baoding Taihang Heyi Cement Co., Limited	**493,000**	–
Baoding Commercial Bank Co., Limited	**73,700**	–
Qinhuangdao Changdao Road Construction Management Co., Limited	**3,000**	–
	569,700	–
Available-for-sale investments		
Unlisted equity investments, at cost	**–**	488,500
	569,700	488,500

20. EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME/ AVAILABLE-FOR-SALE INVESTMENTS (Continued)

The above equity investments were irrevocably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature.

During the year ended 31 December 2018, the Group received dividends in the amounts of RMB27,844,000 from Baoding Commercial Bank Co., Limited.

As at 31 December 2017, the unlisted equity investments with a carrying value of RMB488,500,000 were stated at cost less impairment because the range of reasonable fair value estimated is so significant that the directors are of the opinion that their fair value cannot be measured reliably. The Group does not intend to dispose of them in the near future.

21. DEFERRED TAX

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2018 ***RMB'000***	2017 *RMB'000*
Gross deferred tax assets	**361,708**	284,933
Gross deferred tax liabilities	**(50,402)**	(29,008)
Net deferred tax assets recognised in the consolidated statement of financial position	**311,306**	255,925

21. DEFERRED TAX (Continued)

The movements in deferred tax assets and liabilities during the year are as follows:

2018	Losses available for offsetting against future taxable profits RMB'000	Provision and accruals RMB'000	Changes in fair value of investment property RMB'000	Fair value adjustments of equity investments at fair value through other comprehensive income RMB'000	Prepaid income tax RMB'000	Others RMB'000	Total RMB'000
Gross deferred tax assets/ (liabilities) at 1 January 2018	22,569	253,471	(29,008)	-	-	8,893	255,925
Deferred tax (charged)/ credited to profit or loss during the year	(4,936)	52,282	(1,094)	-	24,318	5,111	75,681
Deferred tax charged to other comprehensive income	-	-	-	(20,300)	-	-	(20,300)
Gross deferred tax assets/ (liabilities) at 31 December 2018	17,633	305,753	(30,102)	(20,300)	24,318	14,004	311,306

21. DEFERRED TAX (Continued)

	Losses available for offsetting against future taxable profits *RMB'000*	Provision and accruals *RMB'000*	2017 Changes in fair value of investment property *RMB'000*	Others *RMB'000*	Total *RMB'000*
Gross deferred tax assets/ (liabilities) at 1 January 2017	74,095	179,060	(28,611)	25,675	250,219
Deferred tax (charged)/ credited to the statement of profit or loss during the year	(51,526)	74,411	(397)	(16,782)	5,706
Gross deferred tax assets/(liabilities) at 31 December 2017	22,569	253,471	(29,008)	8,893	255,925

Certain subsidiaries of the Group had tax losses arising in Mainland China of RMB47,816,000 (2017: RMB104,361,000), as at 31 December 2018, that will expire in one to five years for offsetting against their future taxable profits. Deferred tax assets have not been recognised in respect of these losses as it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

22. SERVICE CONCESSION ARRANGEMENTS

As further explained in the accounting policy for "Service concession arrangements" set out in note 3 to the financial statements, the conditional consideration paid by the Group for a service concession arrangement is accounted for as a contract asset as at 31 December 2018 and a financial asset (receivable under a service concession arrangement) as at 31 December 2017.

	2018	2017
	RMB'000	*RMB'000*
Contract assets *(note 29)*	**743,494**	–
Receivables under service concession arrangements	**-**	42,278

Note:

In respect of the Group's receivables under service concession arrangements, the various group companies have different credit policies, depending on the requirements of the locations in which they operate. Ageing of receivables under service concession arrangements is closely monitored in order to minimise any credit risk arising from the receivables.

An ageing analysis of the Group's contract assets/receivables under service concession arrangements as at the end of the reporting period, based on the invoice date and net of impairment, is as follows:

	2018	2017
	RMB'000	*RMB'000*
Unbilled:		
Non-current portion	**743,494**	42,278

23 INVENTORIES

	2018	2017
	RMB'000	*RMB'000*
Raw materials	**45,362**	77,782

24. CONSTRUCTION CONTRACTS

	2018 *RMB'000*	2017 *RMB'000*
Gross amounts due from contract customers	**–**	27,744,640
Gross amounts due to contract customers	**–**	(4,374,621)
	–	23,370,019
Contract costs incurred plus recognised profits less recognised losses	**–**	208,994,086
Less: Progress billings	**–**	(185,624,067)
	–	23,370,019

25. PROPERTIES UNDER DEVELOPMENT

	2018 *RMB'000*	2017 *RMB'000*
Carrying amount at 1 January	**2,574,039**	3,604,501
Decrease in relation to the disposal of subsidiaries	**(1,116,836)**	(974,975)
Additions	**852,691**	1,646,225
Transferred to completed properties held for sale	**(1,367,903)**	(1,701,712)
	941,991	2,574,039

As at 31 December 2018, certain of the Group's properties under development with a net carrying amount of approximately RMB293,603,000 (2017: RMB125,566,000) were pledged to secure bank facilities granted to the Group (note 34).

26. COMPLETED PROPERTIES HELD FOR SALE

	2018	2017
	RMB'000	*RMB'000*
Carrying amount at 1 January	**741,447**	816,426
Decrease in relation to the disposal of subsidiaries	**–**	(254,882)
Transferred from properties under development	**1,367,903**	1,701,712
Transferred to cost of properties sold	**(967,800)**	(1,521,809)
	1,141,550	741,447

27. TRADE AND BILLS RECEIVABLES

Trade receivables mainly represent receivables from construction contract services. The payment terms are stipulated in relevant contracts. The Group's trading terms with its debtors are mainly on credit, except for new debtors, where payment in advance is normally required. The credit period offered by the Group is generally one to three months. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade and bills receivable are non-interest-bearing.

	2018	2017
	RMB'000	*RMB'000*
Trade receivables	**6,530,973**	6,562,157
Provision for impairment	**(717,333)**	(531,918)
Trade receivables, net	**5,813,640**	6,030,239
Bills receivable at fair value through profit or loss	**588,839**	–
Bills receivable at amortised cost	**–**	558,673
	6,402,479	6,588,912
Portion classified as non-current assets	**–**	(451,853)
Current portion	**6,402,479**	6,137,059

27. TRADE AND BILLS RECEIVABLES (Continued)

Included in the Group's trade and bills receivables are amounts due from the Group's associates and fellow subsidiaries of RMB6,987,000 (2017: RMB15,923,000) and RMB10,310,000 (2017: RMB419,000), respectively, which are repayable on credit terms similar to those offered to the major debtors of the Group.

As at 31 December 2018, there were no trade and bills receivables of the Group (2017: RMB38,876,000) pledged to secure certain bank facilities granted to the Group (note 34).

At the end of the reporting period, the amounts of retentions held by debtors for contract works included in trade receivables for the Group are as follows:

	2018	2017
	RMB'000	*RMB'000*
Retentions in trade receivables	**234,852**	950,177
Provision for impairment	**(2,404)**	(31,558)
Retentions in trade receivables, net	**232,448**	918,619
Portion classified as non-current assets	**–**	(451,853)
Current portion	**232,448**	466,766

An ageing analysis of the Group's trade receivables, other than retention receivables based on the billing date and net of the loss allowance, as at the end of the reporting period is as follows:

Trade receivables

	2018	2017
	RMB'000	*RMB'000*
Within 3 months	**1,632,602**	1,689,894
3 months to 6 months	**540,085**	929,095
6 months to 1 year	**1,355,465**	900,917
Over 1 year	**2,053,040**	1,591,714
	5,581,192	5,111,620

27. TRADE AND BILLS RECEIVABLES (Continued)

Retention receivables held by contract debtors arose from the construction work business and are settled within a period ranging from 2 years to 5 years after the completion of the construction work, as stipulated in the construction contracts. The due settlements of the Group's retention receivables as at the end of the reporting period are as follows:

Retention receivables

	2018	2017
	RMB'000	*RMB'000*
Due within one year	**-**	160,103
Due after one year	**-**	451,853
	-	611,956

The movements in the loss allowance for impairment of trade receivables are as follows:

	2018	2017
	RMB'000	*RMB'000*
At beginning of the year	**531,918**	434,542
Impairment losses, net *(note 8)*	**185,415**	97,376
At end of the year	**717,333**	531,918

27. TRADE AND BILLS RECEIVABLES (Continued)

Retention receivable (Continued)

Impairment under IFRS 9 for the year ended 31 December 2018

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than two years and are not subject to enforcement activity.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2018

	Expected loss rate	Gross carrying amount *RMB'000*	Impairment *RMB'000*
General item:			
Current and within 1 year	**0.34%**	**3,746,967**	**12,855**
More than one year but within 2 years	**0.91%**	**2,098,720**	**19,192**
More than 2 years	**100.00%**	**685,286**	**685,286**
		6,530,973	**717,333**

27. TRADE AND BILLS RECEIVABLES (Continued)

Retention receivable (Continued)

Impairment under IAS 39 for the year ended 31 December 2017

Included in the above provision for impairment of trade receivables, which was measured based on incurred credit losses under IAS 39, as at 31 December 2017 was a provision for individually impaired trade receivables of RMB278,891,000 with a carrying amount before provision of RMB278,891,000.

The ageing analysis of the trade receivables as at 31 December 2017 that are were not individually nor collectively considered to be impaired is as follows:

	2017 *RMB'000*
Neither past due nor impaired	611,956

Receivables that were neither past due nor impaired relate to a large number of diversified debtors for whom that was no recent history of default.

Transferred financial assets that are not derecognised in their entirety

The Group endorsed certain bills receivable accepted by banks in Mainland China (the "Endorsed Bills") with a carrying amount of RMB327,091,000 (2017: RMB307,073,000) as at 31 December 2018, to certain of its suppliers in order to settle the trade payables due to such suppliers (the "Endorsement"). In the opinion of the directors, the Group has retained the substantial risks and rewards, which include default risks relating to such Endorsed Bills, and accordingly, it continued to recognise the full carrying amounts of the Endorsed Bills and the associated trade payables settled. Subsequent to the Endorsement, the Group did not retain any rights on the use of the Endorsed Bills, including the sale, transfer or pledge of the Endorsed Bills to any other third parties. The aggregate carrying amount of trade payables settled by the Endorsed Bills during the period to which the suppliers have recourse was RMB327,091,000 (2017: RMB307,073,000) as at 31 December 2018.

27. TRADE AND BILLS RECEIVABLES (Continued)

Retention receivable (Continued)

Transfer of financial assets that are derecognised in their entirety

The Group endorsed certain bills receivable accepted by banks in Mainland China (the "Derecognised Bills") to certain of its suppliers in order to settle the trade payables due to such suppliers with a carrying amount in aggregate of RMB369,689,000 (2017: RMB155,915,000) as at 31 December 2018. The Derecognised Bills have a maturity of one to six months at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills have a right of recourse against the Group if the PRC banks default (the "Continuing Involvement"). In the opinion of the Directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills and the associated trade payables. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's Continuing Involvement in the Derecognised Bills are not significant.

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

28. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2018	2017
	RMB'000	*RMB'000*
Prepayments	**1,317,524**	1,947,561
Deposits and other receivables	**4,042,255**	3,988,832
Other current assets	**115,146**	200,581
	5,474,925	6,136,974
Impairment allowance	**(220,858)**	(328,170)
	5,254,067	5,808,804

28. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS (Continued)

Included in other receivables, loans provided to joint ventures, associates, key management personnel and fellow subsidiary as at 31 December 2018 totalled RMB513,290,000 (2017: RMB805,171,000), which are disclosed in note 43.

Amounts due from joint ventures, associates, key management and fellow subsidiaries included in prepayments, other receivables and other assets are non-interest-bearing and repayable on demand.

The movements in impairment allowance of other receivables are as follows:

	2018	2017
	RMB'000	*RMB'000*
At beginning of the year	**328,170**	49,916
Impairment losses, net	**(107,312)**	278,254
At end of the year	**220,858**	328,170

Included in the above impairment allowance of other receivables are provisions for individually impaired other receivables of approximately RMB54,040,000 (2017: RMB237,746,000), with an aggregate carrying amount before provision of approximately RMB54,040,000 (2017: RMB237,746,000) as at 31 December 2018.

The individually impaired other receivables relate to customers that were in financial difficulties or were in default in interest and/or principal payments and only a portion of the receivables is expected to be recovered.

From 1 January 2018, the Group has applied the general approach prescribed by IFRS 9, by measuring loss allowance at an amount equal to 12-month ECLs for deposits and other receivables in stage 1 and lifetime ECLs in stage 2 and stage 3. To measure the ECLs, deposits and other receivables have been grouped based on shared credit risk characteristics, ECLs are estimated based on historical credit loss experience, adjusted for factors that are specific to the debtors and general economic conditions.

28. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS (Continued)

As at 31 December 2018

	Expected loss rate	Gross carrying amount *RMB'000*	Expected credit losses *RMB'000*
General item:			
Current and within 1 year	**2.06%**	**2,627,101**	**54,024**
More than 1 year but within 2 years	**3.28%**	**1,033,883**	**33,899**
More than 2 years	**24.11%**	**327,231**	**78,895**
	4.18%	**3,988,215**	**166,818**
Apparently impaired item	**100.00%**	**54,040**	**54,040**
Total	**5.46%**	**4,042,255**	**220,858**

An ageing analysis of other receivables, that are neither individually nor collectively considered to be impaired, is as follows:

	2017 *RMB'000*
Neither past due nor impaired	150,198

None of the balances, except for the deposits and other receivables disclosed above, is either past due or impaired, as they relate to balances for which there was no recent history of default.

29. CONTRACT ASSETS

	31 December 2018 RMB'000	1 January 2018 RMB'000	31 December 2017 RMB'000
Contract assets arising from:			
Construction services	**37,300,279**	28,196,493	–
Service concession arrangements in the construction period *(note 22)*	**743,494**	42,278	–
	38,043,773	28,238,771	–
Impairment	**(147,370)**	–	–
	37,896,403	28,238,771	–

Contract assets are initially recognised for revenue earned from construction services as the receipt of consideration is conditional on successful completion of construction. Included in contract assets for construction services are retention receivables. Upon completion of construction and acceptance by the customer, the amounts recognised as contract assets are reclassified to trade receivables.

During the year ended 31 December 2018, contract assets of RMB11,499,803,000 have been reclassified to trade receivables when the Group's right to consideration became unconditional. The increase in contract assets in 2018 was the result of the increase in the provision of construction services at the end of the year. During the year ended 31 December 2018, RMB147,370,000 was recognised as an allowance for expected credit losses on contract assets. The Group's trading terms and credit policy with customers are disclosed in note 27 to the financial statements.

Included in contract assets are RMB144,848,000 due from associates and RMB44,296,000 due from fellow subsidiaries, respectively, which are repayable on credit terms similar to those offered to the major customers of the Group.

29. CONTRACT ASSETS (Continued)

The expected timing of recovery or settlement for contract assets as at 31 December 2018 is as follows:

Retention receivables

	RMB'000
Due within one year	310,469
Due after one year	840,668
	1,151,137

The remaining contract assets of RMB36,745,266,000 are expected to be recovered or settled within 3 years upon completion of services and acceptance by the customer.

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

	2018
	RMB'000
At beginning of year	**-**
Impairment losses, net	**147,370**
At end of year	**147,370**

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates for the measurement of the expected credit losses of the contract assets are based on those of the trade receivables as the contract assets and the trade receivables are from the same customer bases. The provision rates of contract assets are based on days past due of trade receivables for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type and customer type). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

29. CONTRACT ASSETS (Continued)

Set out below is the information about the credit risk exposure on the Group's contract assets using a provision matrix:

As at 31 December 2018

	Expected loss rate	Gross carrying amount *RMB'000*	Expected credit losses *RMB'000*
Construction services	**0.39%**	**38,043,773**	**147,370**

30. A FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018 *RMB'000*	2017 *RMB'000*
Other unlisted investment, at fair value	**4,500**	–

The above unlisted investment at 31 December 2018 was a floating-rate product with a principal not guaranteed issued by Huaxia Bank in Mainland China. It was mandatorily classified as a financial asset at fair value through profit or loss as its contractual cash flows are not solely payments of principal and interest.

31. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2018 RMB'000	2017 RMB'000
Cash and bank balances	**5,343,822**	4,708,203
Time deposits	**1,151,307**	802,456
	6,495,129	5,510,659
Less: Pledged time deposits:		
Pledged for bank loans	**(472,835)**	–
Pledged for bills payable	**(98,717)**	(114,933)
Pledged for mortgages	**(81,944)**	(85,562)
Pledged for others	**(23,616)**	(22,145)
Cash and cash equivalents	**5,818,017**	5,288,019

The RMB is not freely convertible into other currencies. However, under Mainland China's prevailing rules and regulations over foreign exchange, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

32. TRADE AND BILLS PAYABLES

An ageing analysis of the trade and bills payables, as at the end of the reporting period, based on the invoice date, is as follows:

	2018	2017
	RMB'000	*RMB'000*
Within 6 months	**17,135,532**	15,763,858
6 months to 1 year	**11,112,682**	7,946,332
1 to 2 years	**7,997,296**	5,459,279
2 to 3 years	**1,473,856**	1,215,519
Over 3 years	**599,909**	464,752
	38,319,275	30,849,740

The trade and bills payables are non-interest-bearing and repayable on demand.

The trade payables included in a disposal group (note 37) of RMB6,943,000 are aged over three months.

Included in the trade and bills payables are trade payables of RMB1,950,423,000 (2017: RMB552,343,000) due to a fellow subsidiary, which are repayable on demand, which represents credit terms similar to those offered by the fellow subsidiary to their major customers.

33. OTHER PAYABLES, ADVANCES FROM CUSTOMERS AND ACCRUALS

	Notes	2018 RMB'000	2017 RMB'000
Contract liabilities	(a)	**4,857,298**	–
Receipt in advance		**-**	1,873,287
Accrued salaries, wages and benefits		**145,202**	108,180
Other taxes payable		**3,568,406**	2,386,308
Other payables	(b)	**3,846,605**	2,586,257
Financial guarantee contracts	(c)	**898**	14,174
Dividend payable		**120,000**	120,000
		12,538,409	7,088,206

a) Details of contract liabilities as at 31 December 2018 and 1 January 2018 are as follows:

	31 December 2018 RMB'000	1 January 2018 RMB'000
Construction services	**4,039,166**	4,374,621
Pre-sale of properties	**818,132**	1,873,287
Total contract liabilities	**4,857,298**	6,247,908

Contract liabilities include short-term advances received to construction services and property development activities. The decrease in contract liabilities in 2018 was mainly due to the increase in completed performance obligations of construction services and the sale of properties.

b) Other payables from related parties and third parties are non-interest-bearing and repayable on demand.

33. OTHER PAYABLES, ADVANCES FROM CUSTOMERS AND ACCRUALS (Continued)

c) The financial guarantee contracts represent guarantees given to banks in connection with facilities granted to third parties. The third parties' banking facilities granted by the banks were RMB54,020,000 (2017: RMB354,020,000), of which RMB54,020,000 (2017: RMB354,020,000) was utilised by a third party. The Group does not hold any collateral or other credit enhancements over the guarantees.

The Group does not provide financial guarantees except for limited circumstances. All guarantees were approved by the Head of Credit Control and the Chief Executive.

The financial guarantee contracts are measured at the higher of the ECL allowance and the amount initially recognised less the cumulative amount of income recognised. The ECL allowance is measured by estimating the cash shortfalls, which are based on the expected payments to reimburse the holders (i.e., the banks) for a credit loss that it incurs less any amounts that the Group expects to receive from the debtor (i.e., the third party). The transition to IFRS 9 has no significant impact on the carrying amount of the financial guarantees during the year ended 31 December 2018.

The credit exposure of the financial guarantee contracts is classified as stage 1. During the year, there were no transfers between stages.

34. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2018			2017		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank unsecured	5.7-9.6	2019	998,000	4.7-9.5	2018	775,600
Bank secured	4.7-10.0	2019	497,770	4.7-9.6	2018	178,382
Other borrowings unsecured	-	-	-	7.0-10.0	2018	469,880
Other borrowings secured	9.0	2019	140,000	10.0	2018	340,000
			1,635,770			1,763,862
Current portion of long term						
Bank unsecured	7.0-8.0	2019	429,000	11.0	2018	33,500
Other borrowings unsecured	10.0	2019	50,000	10.0	2018	50,000
			479,000			83,500
			2,114,770			1,847,362
Non-current						
Bank unsecured	5.2-12.0	2020-2022	804,090	6.1-15.0	2019-2022	736,780
Bank secured	10.0	2020	46,360	10.0	2020	50,000
Other borrowings unsecured	7.0	2020	115,000	7.0	2020	935,000
Other borrowings secured	8.5	2020	400,000			
			1,365,450			1,721,780
			3,480,220			3,569,142

34. INTEREST-BEARING BANK AND OTHER BORROWINGS (Continued)

	2018 RMB'000	2017 RMB'000
Analysed into:		
Bank loans repayable:		
Within one year	**1,924,770**	987,482
In the second year	**446,360**	309,000
In the third to fifth years, inclusive	**404,090**	477,780
	2,775,220	1,774,262
Other borrowings repayable:		
Within one year	**190,000**	859,880
In the second year	**515,000**	–
In the third to fifth years, inclusive	**–**	905,000
Beyond five years	**–**	30,000
	705,000	1,794,880
	3,480,220	3,569,142

Notes:

(a) The Group's overdraft facilities amounted to RMB8,087,521,000 (2017: RMB5,158,000,000), of which RMB4,148,167,000 (2017: RMB2,586,976,000) had been utilised as at the end of the reporting period.

(b) Certain of the Group's bank loans are secured by:

(i) Certain of the Group's buildings with a net carrying amount of approximately RMB6,206,000, as at 31 December 2018, were pledged to secure bank facilities granted to the Group. (2017: RMB17,268,000).

(ii) Certain of the Group's properties under development with a net carrying amount of approximately RMB293,603,000, as at 31 December 2018, were pledged to secure bank facilities granted to the Group. (2017: RMB125,566,000).

(iii) Certain of the Group's trade and bills receivables with a net carrying amount of approximately nil, as at 31 December 2018, were pledged to secure bank facilities granted to the Group. (2017: RMB38,876,000).

(iv) Certain of the Group's investment property with a net carrying amount of approximately nil, as at 31 December 2018, were pledged to secure bank facilities granted to the Group. (2017: RMB135,439,000).

(v) Certain of the Group's construction in progress with a net carrying amount of approximately RMB177,511,000, as at 31 December 2018, were pledged to secure bank facilities granted to the Group. (2017: RMB42,988,000).

(vi) The pledge of certain of the Group's time deposits amounting to RMB472,835,000 (2017: nil).

35. SHARE CAPITAL

	2018	2017
	RMB'000	*RMB'000*
Issued and fully paid:		
1,761,384,000 (2017: 1,733,334,000) ordinary shares	**1,761,384**	1,733,334

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

	Share capital	
	2018	2017
	RMB'000	*RMB'000*
At 1 January	**1,733,334**	1,200,000
Issuances of new shares in over-allotment of initial public offering *(i)*	**28,050**	–
Capital injection by shareholders *(ii)*	**–**	100,000
Issue of new shares in initial public offering *(iii)*	**–**	433,334
At 31 December	**1,761,384**	1,733,334

Notes:

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

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

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

36. RESERVES

Statutory surplus reserve

In accordance with the PRC Company Law, certain subsidiaries of the Group which are domestic enterprises are required to allocate 10% of their profit after tax, as determined in accordance with the relevant PRC accounting standards, to their respective statutory surplus reserves until the reserves reach 50% of their respective registered capital. Subject to certain restrictions set out in the PRC Company Law, part of the statutory surplus reserve may be converted to share capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.

The amounts of the Group's reserves and the movements therein for the reporting period are presented in the consolidated statement of changes in equity.

37. DISPOSAL OF SUBSIDIARIES

On 4 August 2017, the Group disposed of a 49% equity interest in Baoding Zhucheng Real Estate Development Co., Ltd. ("BD Zhucheng") for a consideration of RMB175,661,000. BD Zhucheng is principally engaged in real estate development and operation. The disposal was completed in August 2017 and the Group recognised a gain on disposal of approximately RMB49,445,000. After completion of the disposal, BD Zhucheng became an associate of the Group with the Group holding a 51% equity interest.

On 9 August 2017, the Group disposed of a 70% equity interest in Chengdu New Era Tiancheng Property Development Co., Ltd. ("CD New Era") for a consideration of RMB84,000,000. CD New Era is principally engaged in real estate development and operation. The disposal was completed in August 2017 and the Group recognised a gain on disposal of approximately RMB57,624,000. After the completion of the disposal, CD New Era became an associate of the Group with the Group holding a 30% equity interest.

On 5 July 2018, the Group disposed of a 70% equity interest in Guangan Zhongcheng Real Estate Development Co., Ltd. ("GA Zhongcheng") for a consideration of RMB486,110,000. GA Zhongcheng is principally engaged in real estate development and operation. The disposal was completed in July 2018 and the Group did not recognise any gain or loss on disposal of GA Zhongcheng. After the completion of the disposal, GA Zhongcheng became an associate of the Group with the Group holding a 30% equity interest.

37. DISPOSAL OF SUBSIDIARIES (Continued)

Immediately after the disposals, the Group recognised the investments retained in the entities as associates at their fair values at the date the control was lost.

	Note	2018 RMB'000	2017 RMB'000
Net assets disposed of:			
Property, plant and equipment		**1,959**	238
Cash and cash equivalents		**15,396**	4,455
Prepayments, other receivables and other asset		**283,232**	44,951
Properties under development		**1,116,836**	974,976
Completed properties held for sale		**–**	254,881
Trade and bills payables		**(8,666)**	(632)
Other payables and accruals		**(541,052)**	(159,063)
Loans from the Group		**(901,899)**	(724,096)
		(34,194)	395,710
Loan to an associate		**69,194**	–
Retained investments		**–**	(243,118)
Gain on disposal of subsidiaries	6	**–**	107,069
		35,000	259,661
Satisfied by:			
Cash		**360,000**	259,661
Other receivables		**126,100**	–
Loan to an associate*		**(451,100)**	–
		35,000	259,661

* The Company's subsidiary had a loan to GA Zhongcheng, which had been eliminated before the disposal of GA Zhongcheng. Such loan of RMB451,100,000 had been settled through a consideration received from the disposal of GA Zhongcheng.

37. DISPOSAL OF SUBSIDIARIES (Continued)

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2018	2017
	RMB'000	*RMB'000*
Cash consideration	**360,000**	259,661
Cash and bank balances disposed of	**(15,396)**	(4,455)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	**344,604**	255,206

38. PLEDGE OF ASSETS

Details of the Group's assets pledged for the Group's bank loans and overdrafts are included in note 34 to the financial statements.

39. CONTINGENT LIABILITIES

The Group has provided guarantees in respect of mortgage facilities for certain purchasers of the Group's properties amounting to approximately RMB1,932,089,000 (2017: RMB1,705,192,000), as at 31 December 2018.

The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends upon the issuance of real estate ownership certificates to the purchasers, which will generally be available within one to two years after the purchasers take possession of the relevant properties.

The directors of the Group consider that the fair value of the guarantees is not significant, and in case of default on payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalties. Therefore, no provision for the guarantees has been made in the financial statements at the end of the reporting period.

40. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Changes in liabilities arising from financing activities:

2018

	At 1 January 2018 RMB'000	Cash flows RMB'000	At 31 December 2018 RMB'000
Interest-bearing bank and other borrowings	3,569,142	(88,922)	3,480,220

2017

	At 1 January 2017 RMB'000	Cash flows RMB'000	At 31 December 2017 RMB'000
Interest-bearing bank and other borrowings	3,856,540	(287,398)	3,569,142
Loans from related parties	58,960	(58,960)	–

41. OPERATING LEASE ARRANGEMENTS

As lessor

The Group leases its investment property (note 17) under an operating lease arrangement, with the lease negotiated for a term of 20 years. The terms of the lease generally also require the tenants to pay a security deposit and provide for periodic rent adjustments according to the then prevailing market conditions.

At 31 December 2018, the Group had the following total future minimum lease receivables under the non-cancellable operating leases falling due as follows:

	2018	2017
	RMB'000	*RMB'000*
Within one year	**4,845**	5,523
In the second to fifth years, inclusive	**9,963**	12,249
After five years	**3,850**	5,667
	18,658	23,439

As lessee

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to thirty-two years.

At 31 December 2018, the Group had the following total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2018	2017
	RMB'000	*RMB'000*
Within one year	**10,735**	10,164
In the second to fifth years, inclusive	**15,370**	9,266
After five years	**15,136**	5,778
	41,241	25,208

42. COMMITMENTS

In addition to the operating lease commitments detailed in note 41 above, the Group had the following commitments at the end of the reporting period:

	2018 *RMB'000*	2017 *RMB'000*
Contracted, but not provided for:		
Properties under development	**169,597**	229,244
Property, plant and equipment	**65,718**	196,001
	235,315	425,245

43. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

	Notes	**2018** *RMB'000*	2017 *RMB'000*
Joint venture			
Interest-bearing borrowings provided to		**-**	51,500
Interest income		**-**	4,883
Repayment of the borrowings provided to		**-**	149,000

43. RELATED PARTY TRANSACTIONS (Continued)

(a) (Continued)

	Notes	2018 RMB'000	2017 RMB'000
Associates			
Construction contract services provided to	*(i)*	**163,326**	27,483
Purchase of properties		**-**	7,619
Interest-bearing borrowing from		**-**	92,000
Repayment of interest-bearing borrowing from	*(ii)*	**92,000**	92,000
Advance to	*(iii)*	**63,805**	–
Repayment of the advance to	*(iii)*	**292,088**	90,039
Advance from	*(iv)*	**139,221**	–
Repayment of the advance from	*(iv)*	**15,525**	–
Interest expense		**4,159**	3,925
Key management personnel			
Sale of properties		**-**	4,592
Advance from		**22,947**	–
Repayment of an interest-bearing borrowing from		**-**	58,960
Repayment of the borrowing provided to		**210**	400
Fellow subsidiary			
Construction contract services provided to		**41,837**	20,547
Purchase of goods and services		**3,890,307**	1,919,063
Purchase of rental service from		**1,998**	5,994
Interest-bearing borrowing from	*(v)*	**-**	3,175,000
Repayment of an interest-bearing borrowing from	*(v)*	**790,000**	2,270,000
Advance from		**2,918**	2,940
Repayment of the advance from		**12,744**	1,545
Interest expense		**52,964**	74,444

43. RELATED PARTY TRANSACTIONS (Continued)

(a) (Continued)

Notes:

(i) These transactions were carried out in accordance with the terms and conditions mutually agreed by the parties involved.

(ii) The borrowing from an associate bears interest at an annual rate of 4.9%. The principal (and related interests) was/were repaid on 20 November 2018.

(iii) The Group provided loans of RMB63,805,000 to associates which bear no interest and received the repayment of RMB292,088,000 in 2018.

(iv) The Group borrowed loans of from RMB139,221,000 from associates which bear no interest and repaid RMB15,525,000 in 2018.

(v) On 24 March and May 2017, the Group borrowed loans of RMB960,000,000 and RMB950,000,000 from a fellow subsidiary which bears an annual interest rate of 10%. The Group repaid RMB960,000,000 and RMB950,000,000 in 2017.

On 18 August 2017, the Group borrowed a loan of RMB1,265,000,000 from a fellow subsidiary which bears interest at an annual interest rate of 6.95%. The Group repaid RMB360,000,000 in 2017 and RMB790,000,000 in 2018, and the remaining of the borrowing will mature in 2020.

43. RELATED PARTY TRANSACTIONS (Continued)

(b) Outstanding balances with related parties:

	2018 RMB'000	2017 RMB'000
Trade receivables:		
Associates	6,987	15,923
Fellow subsidiary	10,310	419
Contract assets:		
Associates	144,848	–
Fellow subsidiary	44,296	–
Amounts due from contract customers:		
Associates	–	17,085
Fellow subsidiary	–	9,997
Prepayments, other receivables and other assets:		
Associates	458,049	732,571
Fellow subsidiary	55,241	72,600
Amounts due to contract customers:		
Joint venture	–	219
Associates	–	5,270
Advances from customers:		
Key management personnel	22,947	1,903
Other payables:		
Associates	123,696	–
Fellow subsidiary	6,625	16,451
Interest-bearing bank and other borrowings:		
Associates	–	92,000
Fellow subsidiary	115,000	905,000
Accounts payable:		
Fellow subsidiary	1,950,423	552,343

44. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of the categories of financial instruments as at the end of the reporting period are as follows:

2018

	Financial assets at fair value through profit or loss designated as such upon initial recognition *RMB'000*	Equity investments through other comprehensive income *RMB'000*	Financial assets at amortised costs *RMB'000*	Total *RMB'000*
Financial assets				
Equity investments at fair value through other comprehensive income	-	569,700	-	569,700
Trade receivables	-	-	5,813,640	5,813,640
Bills receivable	588,839	-	-	588,839
Financial assets included in prepayments, other receivables and other assets	-	-	3,821,397	3,821,397
Financial assets at fair value through profit or loss	4,500	-	-	4,500
Pledged deposits	-	-	677,112	677,112
Cash and cash equivalents	-	-	5,818,017	5,818,017
	593,339	569,700	16,130,166	17,293,205

44. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

	Financial liabilities at amortised costs RMB'000
Financial liabilities	
Trade and bills payables	38,319,275
Financial liabilities included in other payables and accruals	3,688,406
Interest-bearing bank and other borrowings	3,480,220
	45,487,901

2017

	Available-for-sale investments RMB'000	Loans and receivables RMB'000	Total RMB'000
Financial assets			
Available-for-sale investments	488,500	-	488,500
Trade and bills receivables	-	6,588,912	6,588,912
Financial assets included in prepayments, other receivables and other assets	-	3,660,662	3,660,662
Pledged deposits	-	222,640	222,640
Cash and cash equivalents	-	5,288,019	5,288,019
	488,500	15,760,233	16,248,733

44. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

	Financial liabilities at amortised cost *RMB'000*
Financial liabilities	
Trade and bills payables	30,849,740
Financial liabilities included in other payables and accruals *(note 33)*	2,506,308
Interest-bearing bank and other borrowings	3,569,142
	36,925,190

45. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to their fair values, are as follows:

	Carrying amounts		**Fair values**	
	2018 *RMB'000*	2017 *RMB'000*	**2018** *RMB'000*	2017 *RMB'000*
Financial liabilities				
Bank and other borrowings, non-current portion	**961,360**	1,721,780	**929,382**	1,446,386

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, trade and bills receivables, prepayments, other receivables and other assets, trade payables, financial liabilities included in other payables and accruals, the current portion of interest-bearing bank loans and other borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

45. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

The fair value of the non-current portion of interest-bearing bank and other borrowings has been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for the non-current portion of interest-bearing bank and other borrowings as at the end of the reporting period was assessed to be insignificant.

The fair values of unlisted equity investments designated at fair value through other comprehensive income, which were previously classified as available-for-sale equity investments have been estimated using a market-based valuation technique based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to determine comparable public companies (peers) based on industry, size, leverage and strategy, and calculates an appropriate price multiple, such as price to earnings ("P/E") multiple and price to net assets ("P/B") multiple, for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by earnings and net assets measures. The trading multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding earnings and net assets measure of the unlisted equity investments to measure the fair value. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the reporting period.

45. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

The fair value of the unlisted equity investments designated at fair value through other comprehensive income, which were previously classified as available-for-sale equity investments, have been estimated the potential effect of using reasonably possible alternatives as inputs to the valuation model and has quantified this as a reduction in fair value of approximately RMB238,000, using less favourable assumptions, and an increase in fair value of approximately RMB784,000, using more favourable assumptions.

The Group invests in unlisted investments, which represent wealth management products issued by banks in Mainland China. The Group has estimated the fair value of these unlisted investments by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

Management assessed the fair values of bills receivable by using the discounted cash flow method using a discount rate that reflects the short-term interest-bearing rate issued by the People's Bank of China and the non-performance risk as at 31 December 2018 was assessed to be insignificant.

45. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 December 2018 and 2017:

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Investment A	Valuation multiples	Median P/E multiple of peers	2018: 3.8 to 5.8	1% increase/decrease in multiple would result in increase/decrease in fair value by 1,053,000
		Discount for Lack of marketability	2018: 30%	1% increase/decrease in multiple would result in decrease/increase in fair value by 316,000
Investment B	Valuation multiples	Median P/B multiple of peers	2018: 0.3 to 1.3	1% increase/decrease in multiple would result in increase/decrease in fair value by 7,036,000
		Discount for Lack of marketability	2018: 30%	1% increase/decrease in multiple would result in decrease/increase in fair value by 2,111,000

The discount for lack of marketability represents the amount of premiums and discounts determined by the Group that market participants would take into account when pricing the investments.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

45. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Assets measured at fair value

As at 31 December 2018

	Fair value measurement categorised into			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Investment property	-	-	137,402	137,402
Financial assets at fair value through other comprehensive income	-	-	569,700	569,700
Financial assets at fair value through profit or loss	-	4,500	-	4,500
Bills receivable		588,839	-	588,839
	-	593,339	707,102	1,300,441

As at 31 December 2017

	Fair value measurement categorised into			
	Level 1	Level 2	Level 3	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Investment property	-	-	135,439	135,439

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and liabilities (2017: Nil).

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and cash equivalents and pledged deposits. The main purpose of these financial instruments is to support the Group's operations. The Group has various other financial assets and liabilities such as trade and bills receivables and trade and bills payables which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk. As the Group's exposure to these risks is kept to minimum, the Group has not used any derivatives and other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes. The board of directors reviews and agrees policies for managing these risks and they are summarised below.

Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to its interest-bearing bank and other borrowings. The Group does not use derivative financial instruments to hedge its interest rate risk.

The following table demonstrates the sensitivity to a reasonably possible change in interest rate, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings).

	Increase/ (decrease) in basis points	**Increase/ (decrease) in profit before tax**
		RMB'000
Year ended 31 December 2018		
The benchmark deposit and lending rate of RMB	**100**	**(27,632)**
The benchmark deposit and lending rate of RMB	**(100)**	**27,632**
Year ended 31 December 2017		
The benchmark deposit and lending rate of RMB	100	(21,490)
The benchmark deposit and lending rate of RMB	(100)	21,490

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Interest rate risk (Continued)

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

Maximum exposure and year-end staging as at 31 December 2018

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December 2018. The amounts presented are gross carrying amounts for financial assets and the exposure to credit risk for the financial guarantee contracts.

	12 month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Contract assets*	-	-	-	37,896,403	37,896,403
Trade receivables*	-	-	-	5,813,640	5,813,640
Financial assets included in prepayments, other receivables and other assets					
– Normal**	3,821,397	-	-	-	3,821,397
Pledged deposits not yet past due	677,112	-	-	-	677,112
Cash and cash equivalents not yet past due	5,818,017	-	-	-	5,818,017
Guarantees given to banks in connection with facilities granted to third party					
– Not yet past due	54,020	-	-	-	54,020
Guarantees in respect of mortgage facilities for certain purchasers of the Group's properties					
– Not yet past due	1,932,089	-	-	-	1,932,089
Total	12,302,635	-	-	43,710,043	56,012,678

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Interest rate risk (Continued)

Credit risk (Continued)

Maximum exposure and year-end staging as at 31 December 2018 (Continued)

* For trade receivables and contract assets to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in notes 27 and 29 to the financial statements, respectively.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

The movements in the provision for impairment of financial assets included in prepayments, other receivables and other assets, which account for the primary credit risk of the Group, are as follows:

	2018				2017
	Stage 1	Stage 2	Stage 3	Total	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January as previously reported	-	-	-	-	49,916
Effect of adopting IFRS 9	90,424	-	237,746	328,170	–
At 1 January	90,424	-	237,746	328,170	49,916
Impairment losses (reversed)/ recognised	(107,312)	-	-	(107,312)	278,254
Transfer to Stage 1	183,706	-	(183,706)	-	–
At 31 December	166,818	-	54,040	220,858	328,170

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Interest rate risk (Continued)

Credit risk (Continued)

Maximum exposure as at 31 December 2017

The credit risk of the Group's other financial assets, which comprise financial assets included in prepayments, other receivables and other assets, pledged deposits, cash and cash equivalents and guarantees given to banks in connection with facilities granted to third party, with a maximum exposure equal to the carrying amounts of these instruments.

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade and bills receivables are disclosed in note 27 to the financial statements.

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Interest rate risk (Continued)

Liquidity risk

The liquidity of the Group is primarily dependent on its ability to maintain adequate cash inflows from operations to meet its debt obligations as they fall due, and its ability to obtain external financing to meet its committed future capital expenditure.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	Within 1 year *RMB'000*	1 to 5 years *RMB'000*	Over 5 years *RMB'000*	Total *RMB'000*
31 December 2017				
Trade and bills payables	30,849,740	–	–	30,849,740
Financial liabilities included in other payables, advances from customers and accruals	2,506,308	–	–	2,506,308
Interest-bearing bank and other borrowings	1,896,918	1,698,133	30,150	3,625,201
Guarantees given to a bank in connection with facilities granted to a third party *(note 33)*	334,020	–	–	334,020
Guarantees in respect of mortgage facilities for certain purchases of the Group's properties *(note 39)*	1,932,089	–	–	1,932,089
Total	37,519,075	1,698,133	30,150	39,247,358

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Interest rate risk (Continued)

Liquidity risk (Continued)

	Within 1 year RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
31 December 2018				
Trade and bills payables	38,319,275	-	-	38,319,275
Financial liabilities included in other payables, advances from customers and accruals	3,688,406	-	-	3,688,406
Interest-bearing bank and other borrowings	2,286,962	1,462,450	-	3,749,412
Guarantees given to banks in connection with facilities granted to third parties *(note 33)*	54,020	-	-	54,020
Guarantees in respect of mortgage facilities for certain purchases of the Group's properties *(note 39)*	17,050,192	-	-	17,050,192
Total	44,348,663	1,462,450	-	45,811,113

Capital management

The Group's primary objective for managing capital is to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns to shareholders and benefits to other stakeholders, by pricing services commensurately with the level of risk.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the year ended 31 December 2018.

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Interest rate risk (Continued)

Capital management (Continued)

The Group monitors capital using a gearing ratio, which is total interest-bearing bank and other borrowings divided by total equity. Total equity includes the equity attributable to owners of the parent and non-controlling interests stated in the consolidated statement of financial position.

The Group manages its capital structure and makes adjustments in light of changes in economic conditions. The principal strategies adopted by the Group include, but are not limited to, reviewing future cash flow requirements and ability to meet debt repayment schedules when they fall due, maintaining a reasonable level of available banking facilities and adjusting investment plans and financing plans, if necessary, to ensure that the Group has a reasonable level of capital to support its businesses. The gearing ratios as at the end of the reporting period are as follows:

	2018 *RMB'000*	2017 *RMB'000*
Interest-bearing bank and other borrowings	**3,480,220**	3,569,142
Total equity	**5,688,393**	4,311,309
Gearing ratio	**61%**	83%

47. EVENT AFTER THE REPORTING PERIOD

On 25 March 2019, the Board proposed the payment of a final dividend of RMB0.30 (tax inclusive) per share, totaling approximately RMB528,415,050 for the year ended 31 December 2018, which is subject to the approval of shareholders of the Company at the forthcoming annual general meeting of the Company.

48. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2018 RMB'000	2017 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	**150,340**	129,611
Investment property	**137,402**	135,439
Prepaid land lease payments	**610**	674
Investments in subsidiaries	**1,698,590**	1,293,224
Investments in associates	**45,549**	28,922
Deferred tax assets	**154,616**	131,512
Trade receivables	**-**	419,895
Equity investments at fair value through other comprehensive income	**569,700**	–
Available-for-sale investments	**-**	488,500
Total non-current assets	**2,756,807**	2,627,777
CURRENT ASSETS		
Prepaid land lease payments	**64**	64
Inventories	**32,059**	61,898
Amounts due from contract customers	**-**	21,423,921
Contract assets	**25,061,676**	–
Trade and bills receivables	**4,417,666**	4,302,712
Prepayments, other receivables and other assets	**4,827,588**	5,479,968
Pledged deposits	**279,193**	96,919
Cash and cash equivalents	**4,861,499**	4,461,269
Total current assets	**39,479,745**	35,826,751

48. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

(Continued)

	2018 *RMB'000*	2017 *RMB'000*
CURRENT LIABILITIES		
Trade and bills payables	**25,114,627**	23,203,497
Amounts due to contract customers	**-**	3,828,220
Other payables and accruals	**9,545,894**	4,699,916
Interest-bearing bank and other borrowings	**1,449,770**	1,050,542
Tax payable	**487,148**	482,241
Financial guarantee contract	**35,581**	75,369
Total current liabilities	**36,633,020**	33,339,785
NET CURRENT ASSETS	**2,846,725**	2,486,966
TOTAL ASSETS LESS CURRENT LIABILITIES	**5,603,532**	5,114,743
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	**570,000**	1,175,000
Total non-current liabilities	**570,000**	1,175,000
Net assets	**5,033,532**	3,939,743
EQUITY		
Share capital	**1,761,384**	1,733,334
Reserves *(note)*	**3,272,148**	2,206,409
Total equity	**5,033,532**	3,939,743

48. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note:

A summary of the Company's reserves are as follows:

	Capital reserve	Fair value reserve	Statutory surplus reserve	Special reserve	Retained profits	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2017	–	–	243,380	–	1,268,431	1,511,811
Profit and total comprehensive income for the year	–	–	–	–	1,211,726	1,211,726
Appropriation to surplus reserve	–	–	84,664	–	(84,664)	–
Dividends declared	–	–	–	–	(1,651,400)	(1,651,400)
Capitalisation of retained profits and statutory surplus reverse	254,254	–	(253,511)	–	(743)	–
Issue of shares	1,134,272	–	–	–	–	1,134,272
Transfer to special reserve	–	–	–	634,718	(634,718)	–
Utilisation of special reserve	–	–	–	(634,718)	634,718	–
At 31 December 2017 and 1 January 2018	**1,388,526**	**-**	**74,533**	**-**	**743,350**	**2,206,409**
Profit for the year	**-**	**-**	**-**	**-**	**931,209**	**931,209**
Other comprehensive income for the year:						
Changes in fair value of equity investments at fair value through other comprehensive income	**-**	**60,900**	**-**	**-**	**-**	**60,900**
Appropriation to surplus reserve	**-**	**-**	**56,881**	**(56,881)**	**-**	
Over-allotment of IPO	**73,630**	**-**	**-**	**-**	**-**	**73,630**
Transfer to special reserve	**-**	**-**	**-**	**745,837**	**(745,837)**	**-**
Utilisation of special reserve	**-**	**-**	**-**	**(745,837)**	**745,837**	**-**
At 31 December 2018	**1,462,156**	**60,900**	**131,414**	**-**	**1,617,678**	**3,272,148**

49. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 25 March 2019.

PARTICULARS OF PROPERTIES

31 December 2018

PROPERTIES UNDER DEVELOPMENT/PROPERTIES FOR SALE

Location	Use	Site area *(sq.m.)*	Gross floor area *(sq.m.)*	Stage of completion	Expected completion date	Attributable interest of the Group
Project Hongshan Manor Baoding, Hebei Province, Mainland China	Residential	116,056	162,532	Construction completed	N/A	100%
Project Hongyue Guoji Baoding, Hebei Province, Mainland China	Commercial/ residential	6,876	60,606	Construction completed	N/A	100%
Project Zhong cheng Jingdian Baoding, Hebei Province, Mainland China	Residential	58,643	247,383	Construction completed	N/A	100%
Project Zhong cheng Zuoan Baoding, Hebei Province, Mainland China	Commercial/ residential	32,532	82,157	Foundation work in progress	March 2021	100%
Project Lanton Manor Zhangjiakou, Hebei Province, Mainland China	Commercial/ residential	78,334	321,114	Foundation work in progress	June 2019	100%
Project Golden Sunshine Chengde, Hebei Province, Mainland China	Commercial/ residential	198,458	345,738	Construction completed	N/A	100%
Project Zhongcheng Mingjun Baoding, Hebei Province, Mainland China	Commercial/ residential	11,972	139,638	Foundation work in progress	June 2019	100%

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements, is set out below.

	Year ended 31 December				
	2018	2017	2016	2015	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
RESULTS					
CONTINUING OPERATIONS					
REVENUE	**46,649,243**	41,177,335	38,609,402	27,215,650	24,859,136
Cost of sales	**(44,082,321)**	(38,946,373)	(36,726,588)	(26,199,569)	(24,115,444)
Gross profit	**2,566,922**	2,230,962	1,882,814	1,016,081	743,692
Other income and gains	**202,101**	381,914	201,751	188,182	193,554
Selling and distribution costs	**(28,370)**	(39,300)	(65,955)	(13,238)	(20,135)
Administrative expenses	**(437,884)**	(423,257)	(325,698)	(252,293)	(238,489)
Other expenses	**(249,192)**	(399,368)	(212,882)	(59,523)	(78,406)
Finance costs	**(282,272)**	(182,537)	(230,343)	(186,476)	(121,920)
Share of profits and losses of associates	**(164,626)**	(3,559)	58,264	19,242	(6,366)
PROFIT BEFORE TAX	**1,606,679**	1,564,855	1,307,951	711,975	471,930
Income tax expense	**(473,625)**	(497,449)	(257,220)	(168,926)	(112,528)
PROFIT FOR THE YEAR	**1,133,054**	1,067,406	1,050,731	543,049	359,402
DISCONTINUED OPERATIONS					
Profit/(loss) for the year	**-**	26,722	(237,128)	(132,816)	(8,091)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**1,133,054**	1,094,128	813,603	410,233	351,311
Attributable to:					
Owners of the parent	**1,112,520**	1,052,246	768,178	406,277	358,486
	1,133,054	1,094,128	813,603	410,233	351,311

	Year ended 31 December				
	2018	2017	2016	2015	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
PROFIT FOR THE YEAR	**1,133,054**	1,094,128	813,603	410,233	351,311
OTHER COMPREHENSIVE INCOME					
Equity investments designated at fair value through other comprehensive income:					
Changes in fair value	**81,200**	–	–	–	–
Income tax effect	**(20,300)**	–	–	–	–
	60,900	–	–	–	–
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	**60,900**	–	–	–	–
OTHER COMPREHENSIVE INCOME, FOR THE YEAR, NET OF TAX	**60,900**				
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**1,193,954**	1,094,128	813,603	410,233	351,311
Attributable to:					
Owners of the parent	**1,173,420**	1,052,246	768,178	406,277	358,486
Non-controlling interests	**20,534**	41,882	45,425	3,956	(7,175)
	1,193,954	1,094,128	813,603	410,233	351,311

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2018	2017	2016	2015	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
TOTAL ASSETS	**60,720,038**	50,758,662	61,406,992	52,142,699	43,277,147
TOTAL LIABILITIES	**(55,031,645)**	(46,447,353)	(58,317,314)	(49,970,930)	(41,331,022)
NON-CONTROLLING INTERESTS	**(510,606)**	(408,622)	(255,443)	(90,862)	(95,495)
	5,177,787	3,902,687	2,834,235	2,080,907	1,850,630

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

DEFINITIONS

In this report, unless the context otherwise requires, the following terms shall have the following meanings:

"Articles of Association" or "Articles"	the articles of association of the Company
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"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, which is a company indirectly owned as to 75% by a Controlling Shareholder of the Company as of the Latest Practicable Date, thus a connected person of the Company
"Baoding Zhongcheng"	Baoding Zhongcheng Investment Management Co., Ltd. (保定中誠投資管理有限公司), a limited liability company incorporated in the PRC on 20 September 2007, which is a subsidiary wholly owned by the Company as of the Latest Practicable Date
"Beijing-Tianjin-Hebei Region"	an economic region in China comprising Beijing, Tianjin, and Hebei Province
"Belt and Road Initiative"	a development strategy and framework, proposed by the PRC that focuses on connection and cooperation among countries primarily in Eurasia, which consists of the land-based "Silk Road Economic Belt" and oceangoing "Maritime Silk Road"
"Board" or "Board of Directors"	the board of Directors of the Company
"Board Committee(s)"	collectively, the Remuneration and Appraisal Committee, the Audit Committee and the Nomination Committee
"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
"China" or "PRC"	the People's Republic of China, excluding, for the purpose of this 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 to take effective on 1 March 2014
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"connected transaction(s)"	has the meaning ascribed to it under the Listing Rules, unless the context requires otherwise
"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"	the corporate governance code set out in Appendix 14 Corporate Governance Code and Corporate Governance Report of the Listing Rules
"Director(s)"	the director(s) of the Company

"Domestic Share(s)"	ordinary Share(s) of the Company, with a nominal value of RMB1.00 each, which are subscribed for or credited as paid in Renminbi and are unlisted Shares which are currently not listed or traded on any stock exchange
"EIT"	PRC Enterprise Income Tax
"Global Offering"	Hong Kong Public Offering and International Offering and listing on the Main Board of the Hong Kong Stock Exchange of H shares of the Company, details of which are set out in the Prospectus
"Group" or "we", "us"	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
"H Share Registrar"	Tricor Investor Services Limited
"HCG Garden Engineering"	Hebei Construction Group Garden Engineering Co., Ltd. (河北建設集團園林工程有限公司), a limited liability company incorporated in the PRC on 26 December 2006, which is an indirect wholly-owned subsidiary of the Controlling Shareholder of the Company as of the Latest Practicable Date, thus a connected person of the Company
"HCG Installment Engineering"	Hebei Construction Group Installment Engineering Co., Ltd. (河北建設集團安裝工程有限公司), a limited liability company incorporated in the PRC on 10 August 2004, which was owned as to 61.11% and 38.89% by the Company and Baoding Zhongcheng, a subsidiary of the Company, respectively, as of the Latest Practicable Date

"HCG Zhuocheng Road and Bridge Engineering"	Hebei Construction Group Zhuocheng Road and Bridge Engineering Co., Ltd. (河北建設集團卓誠路橋工程有限公司), a limited liability company incorporated in the PRC on 6 January 1998, and owned as to 95.24% and 4.76% by the Company and Baoding Zhongcheng, a subsidiary of the Company, respectively, as of the Latest Practicable Date
"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"	The Stock Exchange of Hong Kong Limited
"IFRSs"	International Financial Reporting Standards which include standards and interpretations promulgated by the International Accounting Standards Board (IASB)
"Independent Third Party(ies)"	party(ies) not connected with the Company within the meaning of the Hong Kong Listing Rules as far as the Directors are aware after having made all reasonable enquiries
"Latest Practicable Date"	10 April 2019, being the latest practicable date for the purpose of ascertaining certain information contained in this annual report
"Listing"	listing of the H Shares on the Main Board of the Hong Kong Stock Exchange
"Listing Date"	15 December 2017, the date on which the Company's overseas listed foreign Shares (H Shares) were listed on the Main Board of the Stock Exchange
"Listing Rules" or "Hong Kong Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
"Lu Ban Award"	the Lu Ban Award for Construction Engineering in China (中國建設工程魯班獎), the highest and most prestigious award given by the MOHURD for construction quality excellence

"Macau"	the Macau Special Administrative Region of the PRC
"Main Board"	the stock market (excluding the option market) operated by the Hong Kong Stock Exchange which is independent from and operated in parallel with the GEM
"MOFCOM"	the Ministry of Commerce of the PRC (中華人民共和國商務部)
"MOHURD"	the Ministry of Housing and Urban-rural Development of the PRC (中華人民共和國住房和城鄉建設部), formerly known as the Ministry of Construction
"NDRC"	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
"Nomination Committee"	the Nomination Committee of the Board
"PBOC"	the People's Bank of China (中國人民銀行), the central bank of the PRC
"Prospectus"	the prospectus of the Company dated 5 December 2017
"province"	a province or, where the context requires, a provincial level autonomous region or municipality, under the direct supervision of the central government of the PRC
"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
"Remuneration and Appraisal Committee"	the Remuneration and Appraisal Committee of the Board
"Reporting Period" or "2018" or "the Year"	the year beginning from 1 January 2018 and ending on 31 December 2018

"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"SAFE"	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
"SASAC"	the State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會)
"SAT"	the State Administration of Taxation of the PRC (中華人民共和國國家税務總局)
"senior management"	senior management of the Company
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO" or "Securities and Futures Ordinance"	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
"State"	the government of the PRC including all political subdivisions (including provincial, municipal and other regional or local government entities) and their instrumentalities thereof or, where the context requires, any of them
"State Council"	State Council of the People's Republic of China (中華人民共和國國務院)
"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

"Xiong'an New Area"	established in Hebei Province in April 2017, as part of PRC government's measures to advance the coordinated development of the Beijing-Tianjin-Hebei Region. This new area currently spans the three counties of Xiongxian, Rongcheng and Anxin
"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. Hence, Zhongming Zhiye is a connected person of the Company
"Zhongru Investment"	Zhongru Investment Co., Ltd. (中儒投資股份有限公司) (previously known as Baoding Zhongyang Investment Co., Ltd. (保定中陽投資股份有限公司)), a joint stock company incorporated in the PRC on 2 August 2010. As of the Latest Practicable Date, Zhongru Investment directly held 68.3% equity interest of the Company and is a Controlling Shareholder of the Company
"%"	per cent.

GLOSSARY OF TECHNICAL TERMS

This glossary of technical terms contains explanations of certain technical terms used in this report in connection with the Group and its business. These terms and their meanings may not correspond to standard industry meanings or usage of these terms.

"BOT"	Build-Operate-Transfer, a project model whereby, pursuant to a concession agreement entered into by an enterprise and the government, the government grants to the enterprise the rights to undertake the financing, design, construction, operation and certain of wastewater treatment or water supply facilities in a concession period, during which the enterprise can charge service fees based on the service to cover its costs of investment, operation and maintenance and obtain reasonable returns, while, upon the expiration of the concession period, the relevant facilities will be transferred back to the government at nil consideration
"CAGR"	compound annual growth rate
"curtain wall"	an outer covering of a building in which the outer walls are non-structural, designed to handle all loads imposed on it as well as keep air and water from penetrating the building envelope
"electrical and mechanical installation"	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
"m^2" or "sq.m."	square meters
"output value"	the total amount of pecuniary investment by project owners in a construction project (excluding land price and including other construction works subcontracted to other parties of the same construction project)

"PC"	procurement construction, a common form of contracting model whereby the contractor is commissioned by the project owner to carry out project work such as procurement, construction and trial operations, or any combination of the above, either through the contractor's own labor or by subcontracting part or all of the project work, and expected to be responsible for the quality, safety, timely delivery and cost of the project
"PPP"	public-private partnership, a partner relationship based on a framework agreement and formed between the government and private organizations for co-construction of infrastructure projects or providing certain public goods and services
"prefabricated component construction"	constructions assembled with prefabricated parts at sites, including, among others, prefabricated concrete component, prefabricated steel structure construction and prefabricated wooden structure construction
"steel structure"	structural supporting elements comprising steel columns, girders and beams of a construction project
"VAT"	value-added tax

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