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

(’)

(Stock Code: 1727)

UNAUDITED ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

The auditing process for the annual results of Hebei Construction Group Corporation Limited (河北建設集團股份有限公司) (the "**Company**") and its subsidiaries (collectively the "**Group**") has not been completed. The board of directors (the "**Board**") of the Company hereby announces the unaudited results of the Group for the year ended 31 December 2019 (the "**Reporting Period**"). Please refer to the section headed "Review of Unaudited Annual Results" of this announcement below for the details.

I. UNAUDITED CONSOLIDATED RESULTS

CONSOLIDATED BALANCE SHEET

As at 31 December 2019

Unit: RMB'000

Assets	*Note*	**31 December 2019 (Unaudited)**	31 December 2018 (Restated)
Current assets			
Currency funds		**7,345,013**	6,688,178
Financial assets held for trading		**1,262,691**	729,586
Accounts receivable	*5*	**5,856,777**	5,964,567
Prepayments		**1,353,695**	1,364,650
Other receivables		**2,469,049**	4,091,312
Inventories		**247,352**	2,172,183
Contract assets	*6*	**39,093,983**	37,796,062
Non-current liabilities due within one year	*5*	**26,061**	–
Other current assets		**122,969**	115,337
Total current assets		**57,777,590**	58,921,875
Non-current assets			
Long-term receivables		**93,840**	–
Long-term equity investments	*5*	**108,354**	873,166
Contract assets		**2,200,754**	969,590
Other equity investments		**779,054**	569,700
Investment property		**134,750**	137,402
Fixed assets		**378,224**	375,739
Construction in progress		**15,764**	236,514
Right-of-use assets		**46,544**	–
Intangible assets		**35,633**	36,495
Deferred tax assets		**198,365**	319,908
Total non-current assets		**3,991,282**	3,518,514
Total assets		**61,768,872**	62,440,389

CONSOLIDATED BALANCE SHEET (Continued)

As at 31 December 2019

Unit: RMB'000

Liabilities and shareholders' equity	*Note*	**31 December 2019 (Unaudited)**	31 December 2018 (Restated)
Current liabilities			
Short-term borrowings		**2,250,713**	1,635,770
Bills payable		**380,677**	217,213
Accounts payable	*7*	**35,947,926**	38,956,411
Contract liabilities		**4,776,843**	5,065,956
Employee benefits payable		**186,862**	154,178
Taxes payable	*8*	**638,338**	795,917
Other payables		**5,248,272**	4,949,029
Non-current liabilities due within one year		**922,400**	526,000
Other current liabilities		**3,000,829**	2,734,120
Total current liabilities		**53,352,860**	55,034,594
Non-current liabilities			
Long-term borrowings		**2,119,424**	1,473,450
Lease liabilities		**29,825**	–
Total non-current liabilities		**2,149,249**	1,473,450
Total liabilities		**55,502,109**	56,508,044
Shareholder's equity			
Share capital		**1,761,384**	1,761,384
Capital reserve		**1,661,232**	1,586,932
Other comprehensive income		**134,000**	60,900
Surplus reserve		**416,398**	295,246
Retained profit		**1,745,144**	1,702,029
Total equity attributable to shareholders of the parent		**5,718,158**	5,406,491
Minority interests		**548,605**	525,854
Total shareholders' equity		**6,266,763**	5,932,345
Total liabilities and shareholders' equity		**61,768,872**	62,440,389

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2019

Unit: RMB'000

	Note	**2019 (Unaudited)**	2018 (Restated)
Operating revenue	*9*	**41,077,029**	47,858,714
Less: Operating costs		**39,023,724**	45,108,878
Taxes and surcharges		**109,287**	111,721
Selling costs		**10,237**	28,370
Administrative expenses		**508,085**	411,462
Research and development costs		**92,895**	34,805
Finance expenses		**262,583**	161,612
Including: Interest expenses		**415,926**	290,628
Interest income		**158,720**	158,022
Add: Other income		**310**	12,889
Investment income/(losses)		**102,184**	(136,782)
Including: Gains/(losses) on investments in joint ventures and associates		**8,999**	(164,626)
(Losses)/gains from changes in fair values		**(21,848)**	1,963
Credit impairment gains/(losses)	*10*	**40,205**	(253,371)
Gains from disposal of assets		**304**	2,377
Operating profit		**1,191,373**	1,628,942
Add: Non-operating income		**1,490**	14,369
Less: Non-operating expenses		**4,402**	7,989
Total profit		**1,188,461**	1,635,322
Less: Income tax expenses	*12*	**442,921**	465,901
Net profit		**745,540**	1,169,421
Including: Net profit of party being acquired prior to business combination under common control		**37,906**	36,367

CONSOLIDATED INCOME STATEMENT (Continued)
Year ended 31 December 2019

Unit: RMB'000

	Note	**2019 (Unaudited)**	2018 (Restated)
Classified by business continuity			
Net profit from continuing operations		**707,649**	1,335,806
Net profit/(loss) from discontinued		**37,891**	(166,385)
Classified by shareholdership			
Net profit attributable to shareholders of the parent		**753,520**	1,154,039
Minority interests		**(7,980)**	15,382
Other comprehensive income, net of tax		**73,100**	60,900
Other comprehensive income attributable to shareholder of the parent, net of tax		**73,100**	60,900
Other comprehensive income that cannot be reclassified to profit and loss changes in fair value of other equity investments		**73,100**	60,900
Total comprehensive income		**818,640**	1,230,321
Including:			
Total comprehensive income attributable to shareholders of the parent		**826,620**	1,214,939
Total comprehensive income attributable to minority shareholders		**(7,980)**	15,382
Earnings per share *(RMB/share)*			
Basic and diluted earnings per share	*13*	**0.42**	0.66

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The Company used to adopt the International Financial Reporting Standards in preparing financial statements for information disclosure at the Hong Kong Stock Exchange. In accordance with the Consultation Conclusions on Acceptance of Mainland Accounting and Auditing Standards and Mainland Audit Firms for Mainland Incorporated Companies Listed in Hong Kong, which was published by the Hong Kong Stock Exchange in December 2010, from the financial year beginning on 1 January 2019, the Company decided to prepare the financial statements in accordance with Accounting Standards for Business Enterprises and the relevant regulations issued by the Ministry of Finance of the People's Republic of China ("**PRC Accounting Standards**") for information disclosure at the Hong Kong Stock Exchange. It is also prepared in accordance with the accounting standards, application guides, explanations and other related regulations (collectively referred to as "**Accounting Standards for Business Enterprises**").

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

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

Unless otherwise stated, the consolidated financial statements are all presented in RMB'000.

Statement of compliance with Chinese Accounting Standards and Hong Kong Companies Ordinance

The consolidated financial statements of the Group have been prepared in accordance with Chinese Accounting Standards and the requirements of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong).

2. CHANGES OF ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

New leases standard

In 2018, the Ministry of Finance issued the revised Accounting Standards for Business Enterprises No. 21 – Leases (the "**New Leases Standards**"), which adopts the single model similar to that used for the current accounting treatment for finance leases. The lessee is required to recognize right-of-use asset and lease liabilities for all leases except short-term and low-value assets leases and to recognize depreciation and interest expenses respectively. Since 1 January 2019, the Group has applied the revised leases standards in accounting, and according to the transition requirements, information for the comparable period was not adjusted, while retained earnings at the beginning of 2019 were adjusted retrospectively on the first day of implementation for the differences between the New Leases Standards and the current leases standards:

(1) For operating leases prior to the first day of implementation, the Group measured lease liabilities at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at the first day of implementation, and where the amount of each lease is equivalent to the amount of lease liabilities, necessary adjustments are made based on rental prepayments for the measurement of right-of-use assets.

(2) The Group conducts impairment test on the right-of-use assets in accordance with the provisions on impairment of assets in the Group's accounting policies and carries out corresponding accounting treatment.

The Group adopted simplified treatment for low-value operating leases prior to the first day of implementation or operating leases that will be completed within 12 months and did not recognize the right-of-use asset and lease liability. Moreover, the Group adopted the following simplified treatments for operating leases prior to the first day of implementation:

(1) When measuring leases liabilities, the same discount rates can be used for leases with similar characteristics and the initial direct expenses can be excluded in the measurement of right-of-use assets;

(2) Where there are options to extend or terminate the lease, the Group determines lease terms according to the exercise of options prior to the first day of implementation and other latest circumstances.

For the minimum lease payments not made for the significant operating leases as disclosed in the 2018 financial statements, the adjustment of the difference between the present value discounted at the incremental borrowing rate as at 1 January 2019 with the Group as lessee and the lease liabilities included in the balance sheet as at 1 January 2019 are as follows:

Unit: RMB'000

Minimum lease payments for significant operating leases as at 31 December 2018	25,124
Less: minimum lease payments subject to simplified treatment	797
Including: Lease with remaining lease term of less than 12 months	797
Minimum lease payments under the New Lease Standards as at 1 January 2019	24,327
Weighted average at incremental borrowing rate as at 1 January 2019	7.42%
Lease liabilities as at 1 January 2019	18,561

The effects of implementation of the New Lease Standards on th balance sheets as at 1 January 2019 are as follows:

Consolidated balance sheet

Unit: RMB'000

	Financial statement amounts	Under the original standards	Effects
Right-of-use assets	17,723	–	17,723
Non-current liabilities due within one year	(529,170)	(526,000)	(3,170)
Lease liabilities	(15,391)	–	(15,391)
	(526,838)	(526,000)	(838)

The effects of implementation of the New Lease Standards on the 2019 financial statements are as follows:

Consolidated balance sheet

Unit: RMB'000

	Financial statement amounts	Under the original standards	Effects
Right-of-use assets	46,544	–	46,544
Non-current liabilities due within one year	(922,400)	(913,500)	(8,900)
Lease liabilities	(29,825)	–	(29,825)
	(905,681)	(913,500)	7,819

Consolidated income statement

Unit: RMB'000

	Financial statement amounts	Under the original standards	Effects
Management expenses	508,085	508,906	(821)
Finance costs	262,583	260,251	2,332
	770,668	769,157	1,511

In addition, since the date of initial adoption, the Group would classify the repayment of the principle and interest of lease liabilities as cash outflows of financing activities in the cash flow statement. The repayment of short-term leases and leases of low value assets, which adopted simplified approach, and variable lease payment which is not accounted as lease liabilities will still be classified as cash outflows of operating activities.

Changes in presentation of financial statements

To meet the requirements of the Notice on Revising and Issuing Format of 2019 Annual Financial Statements for General Business Enterprises (Cai Kuai [2019] No. 6) (《關於修訂印發2019年度一般企業財務報表格式的通知》(財會[2019]6號)), for the balance sheet, "bills and accounts payable" shall be split into "bills payable" and "accounts payable". The Group has retrospectively adjusted the comparative amounts correspondingly. The changes in accounting policies have had

The relevant financial information of the disposal of the Group's subsidiaries at the time of disposal is as follows:

Unit: RMB'000

Zhongcheng Real Estate Development Co., Ltd., Baoding Tian'e Real Estate Development Co., Ltd., Sanhe Jinshibang Real Estate Development Co., Ltd.	**Date of disposal Carrying amounts** (Unaudited)	**31 December 2018 Carrying amounts** (Audited)
Current assets	4,764,564	4,359,563
Non-current assets	1,137,300	1,114,368
Current liabilities	(5,419,140)	(4,381,576)
Non-current liabilities	(96,360)	(746,360)
Shareholders' equity	386,364	345,995
Less: Minority interests	353,486	338,620
Attributable to shareholders of the parent	32,878	7,375
Disposal consideration	195,139	
Including: Net assets in corporations under common control *(Note 4)*	222,651	
Minority interests in corporations under common control *(Note 4)*	(17,609)	
Cash consideration paid	(9,903)	
Add: Unrealised profit of intra-group transaction between disposal of subsidiaries and parent company	51,081	
	246,220	
Increase in capital reserve attributed to the disposal of subsidiaries	213,342	

The results of operation of the Group's subsidiaries disposed from the beginning of the year to the date of disposal is as follows:

Unit: RMB'000

	From the 1 January 2019 to the date of disposal (Unaudited)
Operating revenue	149,194
Operating costs	104,100
Net profit	37,891

(2) Net cash paid for the disposal of the abovementioned subsidiaries

Unit: RMB'000

	2019 (Unaudited)
The premium paid for the disposal of subsidiaries	9,903
Net cash and cash equivalents lost from disposal of the subsidiaries	272,768
Net cash paid for the disposal of the subsidiaries	282,671

(3) Other subsidiaries which are no longer included in the scope of consolidation during this year

	Place of registration	Business nature	The Group's holding percentage (%)	The Group's voting right percentage (%)	Reason for ceasing to be a subsidiary
Hebei Construction Group Zhuoyuan Concrete Co., Ltd.	PRC	Concrete production	100	100	Note 1
Hebei Construction Group Youyuan Concrete Co., Ltd.	PRC	Concrete production	100	100	Note 1
Hebei Construction Group Qingyuan Concrete Co., Ltd	PRC	Concrete production	100	100	Note 1
Hebei Construction Group Deyuan Concrete Co., Ltd	PRC	Concrete production	100	100	Note 1
Hebei Construction Group Jingyuan Concrete Co., Ltd.	PRC	Concrete production	100	100	Note 1
Hebei Construction Group Dayuan Concrete Co., Ltd.	PRC	Concrete production	100	100	Note 1
Hebei Construction Group Ruiyuan Concrete Co., Ltd	PRC	Concrete production	100	100	Note 1
Laiyuan County Fanyuan Concrete Co., Ltd	PRC	Concrete production	100	100	Note 1

Note 1: The Company entered into an asset transfer agreement with Rongcheng County Muhu Concrete Co., Ltd. on 16 August 2019, disposing 100% of the equities in certain concrete companies held by the Group, with a consideration of RMB3,220,000. Therefore, starting from 16 August 2019, the Group will no longer include the above eight concrete companies in the scope of consolidation.

4. ACQUISITION OF CORPORATIONS UNDER THE SAME CONTROL

On June 2019, the Company acquired 100% equity interests of Hebei Construction Group Garden Engineering Co., Ltd. with a cash consideration of RMB9,903,000 along with the held 100% equity interests of Zhongcheng Real Estate Development Co., Ltd., 66% equity interests of Baoding Tian'e Real Estate Development Co., Ltd. and 55% equity interests of Sanhe Jinshibang Real Estate Development Co., Ltd. Hebei Construction Group Garden Engineering Co., Ltd. is a wholly-owned subsidiary of Zhongming Zhiye Co., Ltd., a company controlled by the same parent company. Since both parties of the acquisition before and after the acquisition were under common control of Zhongru Investment Co., Ltd., and the control was not temporary in nature, this acquisition was acquisition of corporations under common control. The date of acquisition was confirmed to be 24 June 2019.

The results of operation of Hebei Construction Group Garden Engineering Co., Ltd. for this year is as follows:

Unit: RMB'000

	From the beginning of the year to the date of acquisition (Unaudited)
Operating revenue	572,638
Net profit	37,906
Net cash flows	(148,820)

Unit: RMB'000

	The date of acquisition Carrying amounts (Unaudited)	**31 December 2018 Carrying amounts** (Unaudited)
Currency funds	44,229	193,049
Financial assets held for trading	197,717	136,247
Accounts receivable	131,766	150,973
Prepayments	29,128	47,124
Other receivables	231,581	269,915
Inventories	41,234	44,340
Contract assets	820,171	884,346
Other current assets	10,320	191
Fixed assets	644	450
Construction in progress	–	1,315
Deferred tax assets	11,206	8,338
Accounts payable	(683,404)	(862,451)
Contract liabilities	(162,463)	(211,450)
Employee benefits payable	(11,812)	(8,976)
Taxes payable	(22,559)	(116,899)
Other payables	(237,984)	(136,767)
Non-current liabilities due within one year	(15,000)	(47,000)
Other current liabilities	(53,123)	–
Long-term borrowings	(109,000)	(108,000)
Total	222,651	244,745
Less: Minority interests	17,609	15,248
Attributable to shareholders of the parent	205,042	229,497
Combined consideration	(8,300)	

5. ACCOUNTS RECEIVABLE AND LONG-TERM RECEIVABLES

The accounts receivable of the Group are mainly for the provision of construction services and build-operate-transfer water supply services. Except for the quality guarantee deposit receivables for engineering projects and the accounts receivable for construction services, the credit period of accounts receivable is usually 1 to 3 months. The credit period of the quality guarantee deposit receivables for engineering projects is usually two to five years subsequent to the completion of construction. The amounts due to the Group by customers under the construction services for comprehensive renovation projects will be settled in installments during a period from one to twenty-five years. Except for the interest of the accounts receivable for the construction services for comprehensive renovation projects, all other receivables are non-interest-bearing.

The ageing analysis of accounts receivable is as follows:

Unit: RMB'000

	2019 (Unaudited)	2018 (Restated)
Within 1 year	**4,718,478**	3,897,894
1 to 2 years	**707,684**	2,121,162
2 to 3 years	**483,087**	429,844
Over 3 years	**574,528**	255,482
	6,483,777	6,704,382
Less: Bad debt allowance on accounts receivable	**627,000**	739,815
	5,856,777	5,964,567

Except for project quality deposits, the ageing of accounts receivable was calculated since the invoice date.

The ageing analysis of long-term receivables is as follows:

Unit: RMB'000

	2019 (Unaudited)	2018 (Restated)
Receivables under PPP projects	**119,901**	–
Less: Long-term receivables due within one year	**26,061**	–
	93,840	–

The ageing of long-term receivables shall be calculated since the date when the budget needed for the completion of concessionary project is settled. The management of the Group considers that there is no need to provide for bad debts for the long-term receivables.

6. CONTRACT ASSETS

Unit: RMB'000

	2019 (Unaudited)			2018 (Restated)		
	Book balance	**Impairment provision**	**Carrying amount**	Book balance	Impairment provision	Carrying amount
Completed but unsettled	**41,562,858**	**(268,121)**	**41,294,737**	38,914,523	(148,871)	38,765,652
Including: Non-current assets	**2,448,159**	**(247,405)**	**2,200,754**	969,590	–	969,590

The changes in the carrying amounts of contract assets include: (1) impairment of contract assets; (2) changes in the timing of the right to contract considerations becoming unconditional (i.e. contract assets are reclassified as accounts receivable).

7. ACCOUNTS PAYABLE

Accounts payable are non-interest bearing and are usually settled within the agreed period.

The ageing analysis of accounts payable is as follows:

Unit: RMB'000

	2019 **(Unaudited)**	2018 (Restated)
Within 1 year	**26,549,311**	28,848,884
1 to 2 years	**7,858,646**	8,032,785
2 to 3 years	**1,323,137**	1,474,833
Over 3 years	**216,832**	599,909
	35,947,926	38,956,411

The ageing of accounts payable is calculated since the recognition date of procurement.

8. TAXES PAYABLE

Unit: RMB'000

	2019 **(Unaudited)**	2018 (Restated)
Enterprise income tax	**603,914**	705,646
VAT	**30,986**	64,461
Urban maintenance and construction tax	**1,883**	17,313
Personal income tax	**1,231**	1,328
Land value increment tax	**–**	6,354
Others	**324**	815
	638,338	795,917

9. OPERATING REVENUE

The operating revenue is as follows:

Unit: RMB'000

	2019 **(Unaudited)**	2018 (Restated)
Revenue from major business	**40,196,157**	45,877,180
Revenue from other business	**880,872**	1,981,534
	41,077,029	47,858,714

The operating revenue is as follows:

Unit: RMB'000

	2019 (Unaudited)	2018 (Restated)
Revenue generated by contracts with customers	**41,055,621**	47,849,135
Lease income	**21,408**	9,579
	41,077,029	47,858,714

Breakdown of operating revenue generated by contracts with customers

2019 (Unaudited)

Unit: RMB'000

Reporting segment	**Construction**	**Others**	**Total**
Major operating regions			
China (excluding Hong Kong, Macau and Taiwan)	**39,286,375**	**1,769,246**	**41,055,621**
Major products			
Building construction	**28,699,298**	**–**	**28,699,298**
Infrastructure construction	**6,687,868**	**–**	**6,687,868**
Specialized and other construction	**3,407,035**	**1,401,956**	**4,808,991**
Sales of commercial housing	**–**	**149,194**	**149,194**
Sales of goods and others	**492,174**	**218,096**	**710,270**
	39,286,375	**1,769,246**	**41,055,621**
Timing of revenue recognition			
At a point of time			
Sales of commercial housing	**–**	**149,194**	**149,194**
Sales of goods and others	**492,174**	**185,099**	**677,273**
Within a period of time			
Building construction	**28,699,298**	**–**	**28,699,298**
Infrastructure construction	**6,687,868**	**–**	**6,687,868**
Specialized and other construction	**3,407,035**	**1,401,956**	**4,808,991**
Sewage treatment services	**–**	**32,997**	**32,997**
	39,286,375	**1,769,246**	**41,055,621**

2018 (Restated)

Unit: RMB'000

Reporting segment	Construction	Others	Total
Major operating regions			
China (excluding Hong Kong, Macau and Taiwan)	45,042,379	2,806,756	47,849,135
Major products			
Building construction	29,783,306	–	29,783,306
Infrastructure construction	11,465,910	–	11,465,910
Specialized and other construction	3,505,668	1,122,296	4,627,964
Sales of commercial housing	–	1,457,653	1,457,653
Sales of goods and others	287,495	226,807	514,302
	45,042,379	2,806,756	47,849,135
Timing of revenue recognition			
At a point of time			
Sales of commercial housing	–	1,457,653	1,457,653
Sales of goods and others	287,495	226,807	514,302
Within a period of time			
Building construction	29,783,306	–	29,783,306
Infrastructure construction	11,465,910	–	11,465,910
Specialized and other construction	3,505,668	1,122,296	4,627,964
	45,042,379	2,806,756	47,849,135

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

Unit: RMB'000

	2019 (Unaudited)	2018 (Restated)
Building construction	**1,894,411**	1,775,648
Infrastructure construction	**971,658**	1,144,074
Specialized and other construction	**436,489**	246,648
Sales of commercial housing	**103,975**	1,204,007
Total	**3,406,533**	4,370,377

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

Construction services

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

Sale of goods

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

Real estate sales

For the real estate sales, after the real estate is completed and accepted, meeting the delivery conditions stipulated in the sales contract, when the customer obtains actual control or legal ownership of the relevant goods, the performance obligation is fulfilled.

Sewage and reclaimed water treatment fees

The operating revenue is recognized upon provision of relevant services. The contract price is usually settled within 90 days of delivery.

10. CREDIT IMPAIRMENT GAINS/(LOSSES)

Unit: RMB'000

	2019 (Unaudited)	2018 (Restated)
Bad debt gains/(losses) on accounts receivable	**112,815**	(206,804)
Bad debt gains on other receivables	**46,640**	102,304
Impairment loss for contract assets	**(119,250)**	(148,871)
	40,205	(253,371)

11. EXPENSES BY NATURE

Unit: RMB'000

	2019 (Unaudited)	2018 (Restated)
Project cost	**38,310,356**	43,663,921
Property development costs	**91,851**	967,801
Management and sales staff compensation	**316,733**	262,315
Research and development expenses	**92,895**	34,805
Depreciation and amortization in management expenses	**11,383**	12,912
Audit fees in management costs *(Note)*	**3,200**	4,600
Others	**808,523**	637,161
	39,634,941	45,583,515

Note: The auditor's remuneration for this year was RMB3,200,000 (2018: RMB4,600,000).

12. INCOME TAX EXPENSES

Unit: RMB'000

	2019 (Unaudited)	2018 (Restated)
Current income tax expenses	**408,279**	548,515
Deferred income tax expenses	**34,642**	(82,614)
	442,921	465,901

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

Unit: RMB'000

	2019 (Unaudited)	2018 (Restated)
Total profit	**1,186,461**	1,635,322
Income tax expenses at the statutory tax rate *(Note)*	**297,115**	408,831
Share of profits and losses of joint ventures and associates	**(2,250)**	41,157
Unrecognized deductible temporary differences and deductible losses	**158,634**	11,986
Non-deductible expenses	**4,351**	5,764
Deductible losses from the previous year	**(1,799)**	–
Income not subject to tax	**(21,304)**	(6,961)
Adjustment of difference in approved profit rate of a subsidiary	**(2,728)**	5,124
Impact of income tax from the waiver of related party debts	**16,500**	–
Adjustment of current income tax during prior periods	**(5,598)**	–
Income tax expense at the Group's effective rate	**442,921**	465,901

Note: The Group's income tax is provided based on the estimated taxable income obtained in China and the applicable tax rate.

13. EARNINGS PER SHARE

Unit: RMB'000

	2019 *RMB per share* (Unaudited)	2018 *RMB per share* (Restated)
Basic and diluted earnings/(losses) per share		
Continuing operations	**0.41**	0.76
Discontinued operations	**0.01**	(0.10)

Basic earnings per share are calculated by dividing the net profit for the year attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares in issue. The number of newly issued ordinary shares is determined according to the specific terms of the issue contract and calculated from the date of consideration receivable (normally the stock issue date).

The calculation of the basic earnings per share and diluted earnings per share is as follows:

Unit: RMB'000

	2019 (Unaudited)	2018 (Restated)
Earnings		
Net profit/(loss) for the year attributable to ordinary shareholders		
Continuing operations	**728,021**	1,332,738
Discontinued operations	**25,499**	(178,699)
	753,520	1,154,039
Shares		
Weighted average number of ordinary shares in issue of the Company	**1,761,383,500**	1,761,075,000

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

14. DIVIDEND

During this year, the proposal of distribution of 2018 final dividend of RMB0.30 per share (tax inclusive) in total of RMB528,415,000 was voted through by the shareholders of the Company on the 2018 Annual General Meeting ("**2018 AGM**") on 20 June 2019.

For the distribution of 2019 final dividend (if any) to the shareholders of the Company, please refer to the further announcement issued by the Company on or before 30 April 2020.

15. DISCONTINUED OPERATIONS

As stated in Note 3, in June 2019, the management of the Group decided to dispose of all interests in the subsidiaries engaged in the real estate development business.

The profits and losses from the discontinued operations are as follows:

Unit: RMB'000

	2019 (Unaudited)	2018 (Audited)
Revenue	**149,194**	1,476,666
Costs and expenses	**110,014**	1,589,698
Total profit/(loss)	**39,180**	(113,032)
Income tax expenses	**1,289**	53,353
Net profit/(loss)	**37,891**	(166,385)
Net profit/(loss) from discontinued operations	**37,891**	(166,385)
Including: Net profit/(loss) from discontinued operations attributable to shareholders of the parent	**25,499**	(178,699)

Cash flow of the discontinued operations is as follows:

Unit: RMB'000

	2019 **(Unaudited)**	2018 (Audited)
Net cash flow from operating activities	**(115,968)**	(72,379)
Net cash flow from investing activities	**(13,424)**	183,685
Net cash flow from financing activities	**7,428**	7,674

16. COMPARATIVE INFORMATION

As stated in Note 4, the Group acquired 100% equity interests of Hebei Construction Group Garden Engineering Co., Ltd. under common control during the Period. With reference to the Accounting Standards for Business and Enterprises and the accounting policies regarding acquisition of corporations under common control adopted by the Group, the acquired corporation under common control should be regarded as a reporting entity formed after the acquisition and exist as integration since when the ultimate controlling party has started to implement control. This should be reflected in the financial statements, as the parent-subsidiary company been formed by combining, and both its asset size and business performance should be continuously assessed. In preparing consolidated financial statements, regardless of any point of time in the Reporting Period, the consolidated income statement and consolidated statement of cash flow reflected profits and losses and cash flow of the reporting entity of the parent-subsidiary company since the day of combining. Correspondingly, the retained profit on consolidated balance sheet should reflect the realizable surplus and undistributed profits as at the day of combining given that the parent-subsidiary company had been operating as an entity. Accordingly, when in preparing the financial statements for the period of January to June 2019, or the period of combining, the Group has adjusted the opening balance recorded on the consolidated balance sheet and the related items on the comparative statements as if the reporting entity after combining had been existed in the past.

In addition, the comparative interim consolidated income statement has been restated upon the assumption of the discontinued operations at the beginning of the comparative period in accordance with the discontinued operations during the period (Note 3, 15). To meet the requirements of the Notice on Revising and Issuing Format of 2019 Annual Financial Statements for General Business Enterprises (Cai Kuai [2019] No. 6) (《關於修訂印發2019年度一般企業財務報表格式的通知》(財會[2019]6 號)), for the balance sheet, "bills and accounts payable" shall be split into "bills payable" and "accounts payable". The Group has retrospectively adjusted the comparative amounts correspondingly. The changes in accounting policies have had no impact on the consolidated and the Company's net profit and shareholders' interests.

Building Construction Business

We provide construction contracting services for residential, public works, industrial and commercial construction projects. We undertake most of such construction projects as a general contractor. As a general contractor, we undertake all main aspects of construction projects, including building construction, foundation work, curtain wall construction, building decoration and fire fighting engineering. We are also responsible for engaging subcontractors in providing construction services and the labor force for construction projects, coordinating the works of all parties, providing the major equipment and machinery, procuring raw materials and ensuring that construction projects are carried out on schedule. For the year 2019, new contracts were valued at RMB49,792 million, while it was RMB43,394 million for the corresponding period of the last year.

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

Year	**2019**		2018	
	Amount *(RMB100 million)*	***Percentage***	Amount *(RMB100 million)*	*Percentage*
Total	**497.92**	**100%**	433.94	100%
Residential construction	**305.98**	**61.45%**	273.17	62.95%
Public building construction	**129.47**	**26.00%**	113.20	26.09%
Industrial building construction	**49.84**	**10.01%**	38.26	8.82%
Commercial building construction	**12.63**	**2.54%**	9.31	2.14%

Infrastructure Construction Business

In addition to our core building construction 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 undertake most of such construction projects as general contractor. Our infrastructure construction customers are primarily local governments. For the year 2019, new contracts from the infrastructure construction business were valued at RMB16,769 million, while it was RMB17,241 million for the corresponding period of the last year.

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

Year	**2019**		2018	
	Amount *(RMB100 million)*	***Percentage***	Amount *(RMB100 million)*	*Percentage*
Total	**167.69**	**100%**	172.41	100%
Municipal infrastructure construction	**89.39**	**53.31%**	83.01	48.15%
Transportation infrastructure construction	**78.30**	**46.69%**	89.40	51.85%

Specialized and Other Construction Contracting Business

We also undertake construction contracting projects by leveraging our qualifications and experience in specialized areas such as electrical and mechanical installation and construction of steel structures. Our electrical and mechanical installation works generally cover the supply, installation and maintenance of equipment for power plants, pipelines for heating and natural gas, as well as air-conditioning, mechanical ventilation and exhaust air systems. Steel structure construction generally refers to the building of the structural supporting elements comprising steel columns, girders and beams of a construction project. For the year 2019, new contracts from the specialized and other construction contracting business were valued at RMB5,523 million, while it was RMB9,482 million for the corresponding period of the last year.

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

Year	**2019**		2018	
	Amount *(RMB100 million)*	***Percentage***	Amount *(RMB100 million)*	*Percentage*
Total	**55.23**	**100%**	94.82	100%
Electrical and mechanical installation	**10.70**	**19.37%**	8.10	8.54%
Steel structures	**9.36**	**16.95%**	14.35	15.13%
Other construction business	**35.17**	**63.68%**	72.37	76.33%

FINANCIAL REVIEW

Operating Income, Operating Cost and Gross Profit

Revenue of the Group decreased by 14.2%, or approximately RMB6,782 million from approximately RMB47,859 million in 2018 to RMB41,077 million in 2019, which was mainly due to a decrease of RMB5,681 million in construction contracting business, a decrease of RMB1,308 million in property development business and an increase of RMB207 million in other business.

In particular:

(1) Segment operating results of construction contracting business

	As at 31 December 2019				As at 31 December 2018 (Restated)			
	Revenue ***RMB100 million***	**Cost** ***RMB100 million***	**Gross profit** ***%***	**Percentage** ***%***	Revenue *RMB100 million*	Cost *RMB100 million*	Gross profit *%*	Percentage *%*
Building construction business	**286.99**	**273.64**	**4.7%**	**71.4%**	297.83	285.73	4.1%	64.9%
Infrastructure construction business	**66.88**	**64.42**	**3.7%**	**16.6%**	114.66	105.94	7.6%	25.0%
Specialized and other construction business	**48.09**	**45.05**	**6.3%**	**12.0%**	46.28	44.97	2.8%	10.1%
Total	**401.96**	**383.11**	**4.7%**		458.77	436.64	4.8%	

The construction engineering contracting business in 2019 decreased by RMB5,681 million, mainly because the Group's construction business was mainly concentrated in Beijing, Tianjin and Hebei and their surrounding areas. According to the requirements of the Action Plan for Comprehensive Treatment of Air Pollution in Beijing-Tianjin-Hebei and Their Surrounding Aareas during Autumn and Winter of 2019-2020, the Group's downtime has increased in 2019 while ensuring that pollution prevention facilities and dust control measures are in place, and has actively changed the working arrangements and postponed the progress of ongoing projects. In addition, being affected by the macroeconomic downturn, the contract amount newly undertaken in 2019 decreased. The drop in income is more apparent for infrastructure construction business, with a decrease in RMB4,778 million. The contract amount newly undertaken in 2018 was higher, with more infrastructure construction contracts and a saturated market. From the perspective of demand and supply of buildings, it is also difficult for the market of building construction to achieve large growth. Such market gradually changed from rapid growth to slow growth, then gradually shrinked and decreased. Thus, the building construction business of the Group also decreased by RMB1,084 million.

The overall gross profit margin of the building construction subcontractor business of the Group decreased by 0.1% as compared with last year, mainly due to:

(1) For building construction and specialized and other construction contracting business, compared to 2018, during which we focused on the number of projects, in 2019 the Group focused more on the high-quality projects with higher gross profit. The Group is more committed to the control of cost budgets, so the overall gross profit in 2019 has increased;

For infrastructure construction business, upon entering 2019, the infrastructure construction cooled down, the overall return on infrastructure industry decreased, and the market competition intensified. Most of the infrastructure construction of the Company was focused in Beijing-Tianjin-Hebei Region and the bargaining power was weak. As such, the gross profit of infrastructure construction business decreased.

(2) The Group has divested its real estate business during this year, so the related revenue has decreased significantly.

(3) The other types income of the Group mainly include concrete sales, rental income and other business, which increased by RMB207 million in 2019 compared with 2018.

Selling Expenses

Selling expenses of the Group were approximately RMB10 million in 2019, representing a decrease of RMB18 million as compared with that of 2018, which was mainly due to the divestment of the real estate business of the Group in June 2019.

Administrative Expenses

Administrative expenses increased by approximately RMB97 million to approximately RMB508 million in 2019 as compared to that of 2018, which was mainly due to the increase in the number of employees of the Group and the significant increase in the employee salaries, benefits and social insurance contributions due to the increase in salary levels in 2019. Besides, as the Group has encouraged scientific and technological research and development since 2018, the funding for scientific and technological activities has increased significantly in 2019.

Research and Development Costs

Research and development costs of the Group increased by RMB58 million in 2019 as compared with that of 2018, mainly because the Group encouraged its member companies to engage in the special research and development projects during the second half of the year. A total of 173 research and development projects were commenced by the Group in 2019, which are still at the investigation and research stage. Therefore, the research and development costs incurred for this year increased significantly as compared with that of 2018.

Credit Impairment Gains/(Losses)

Credit impairment gains were RMB40 million in 2019, representing a decrease of RMB294 million as compared to the credit impairment losses in 2018, mainly because the Group strengthened the management of receivables in 2019 and took proactive measures against long-aged receivables. We has improved the recovery of receivables during this year, so we reverse the recovered receivables against the credit impairment losses from the previous years.

Investment income

The investment income in 2019 was RMB102 million, representing an increase of RMB239 million compared with that of 2018, which was mainly due to the increase in the dividend income from other equity instruments under the strategic investment of the Group and the increase in the share of investment income of associates and joint ventures.

Income Tax Expenses

Income tax expenses of the Group were RMB443 million in 2019, representing a decrease of RMB23 million as compared with that of 2018, which was mainly due to the decrease in pre-tax profit and the decrease in income tax expenses.

Net Profit

Based on the above factors, net profit of the Group for 2019 was RMB746 million, representing a decrease of approximately RMB424 million as compared with that of last year.

Liquidity, Financial Sources and Capital Structure

The Group finances operations primarily through cash generated from operating activities and interest-bearing borrowings. As of 31 December 2019 and 31 December 2018, the Group had currency funds of approximately RMB6,974 million and approximately RMB6,011 million, respectively. For the liquidity and capital structure of the funds of the Group, please refer to the financial ratios below.

Currency Funds

As of 31 December 2019, currency funds of the Group were RMB7,345 million, representing an increase of RMB657 million as compared to that at the end of 2018, mainly due to the greater amount of net cash inflows from financing activities. We received more cash from the borrowings, acquired the currency investment from the minority shareholders, while we recovered the security deposit from the offshore guarantees for onshore loans business.

Financial Policy

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

Financial Assets Held for Trading

As of 31 December 2019, financial assets held for trading of the Group were RMB1,263 million, representing an increase of RMB533 million compared with the end of 2018, mainly because the Group

Long-term Equity Investments

On 31 December 2019, the long-term equity investment was RMB108 million, representing a decrease of RMB765 million compared with that at the end of 2018, mainly due to the divestment of the associates under the investment of Zhongcheng Development in June 2019, a subsidiary of the Group engaged in the real estate business.

Accounts Receivable

As of 31 December 2019, the net value of accounts receivable was RMB5,857 million, representing a decrease of approximately RMB108 million compared with that at the end of 2018, which amounts to a relatively small overall change.

Other Receivables

On 31 December 2019, balance of other receivables of the Group was RMB2,469 million, representing a decrease of approximately RMB1,622 million, as compared with that at the end of last year. Such change was mainly due to the regulatory requirements which mandate the Group to settle all non-transactional fund lending activities directly with third-party units and individuals during the year. As of the end of the year, all fund borrowings have been settled, resulting in a significant decline in the balance of the other receivables.

Contract Assets and Construction Services Contract Liabilities

The net value of contract assets as of 31 December 2019 was RMB41,295 million, representing an increase of approximately RMB2,529 million as compared with that at the end of 2018, mainly due to part of the fulfilled construction of the Group during the forth quarter yet to be settled. Contract liabilities as of 31 December 2019 were RMB4,777 million, representing a decrease of approximately RMB289 million as compared to that at the end of 2018. The balance of prepayments for housing has decreased compared with that at the end of the previous year, which was mainly due to the real estate sector being divested on 30 June 2019.

Long-term Receivables

The concessionary project of the Group will be put into operation upon the approval of the budget needed for the completion of concessionary project during the year. During the construction period, the contract assets were converted into long-term receivables due to obtaining the unconditional right to considerations.

Other Equity Instrument Investment

The carrying value of other equity instrument investment on 31 December 2019 was RMB779 million, representing an increase of approximately RMB209 million compared to the other equity instrument investment at the end of 2018, mainly due to the Group's investment in China Risun Group Limited through the Hong Kong Stock Exchange in March 2019. The Group has invested a total of 45,965,000 shares, with a share price of HKD2.85 per share on the day of purchase. The remaining changes were due to the changes in fair value of other equity investments during the year.

Borrowings

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

As at 31 December 2019, the Group's interest-bearing borrowings were approximately RMB5,293 million (31 December 2018: approximately RMB3,635 million), bearing an effective annual interest rate ranging from 4.4% to 12.0% per annum (31 December 2018: annual interest rate ranging from 4.7% to 12.0%).

Bills and accounts payable

The balance of accounts payable on 31 December 2019 was RMB35,948 million, representing a decrease of RMB3,008 million compared with that at the end of 2018, which was mainly due to fewer new construction projects undertaken in 2019 and the suspension due to macro factors, and the corresponding reduction in purchases leading to the decrease in the balance of accounts receivable at the end of the year. The balance of bills payable increased by RMB163 million compared with that at the end of the previous year, mainly due to the increase in the proportion of bill payment by the Group.

Capital expenditures

Capital expenditures in 2019 were approximately RMB78 million, representing a decrease compared to that of 2018, mainly due to the reduction of projects under construction and construction of office space.

Capital Commitment

As at 31 December 2019, the Group has capital commitment of RMB433 million, mainly because the Group signed an office building purchase agreement with Baoding Zhucheng Real Estate Development Co., Ltd. ("**Baoding Zhucheng**") in 2019 to purchase office buildings for commercial office space at a consideration of RMB350 million.

Significant Sales or Disposal

Except as disclosed in Notes 3 and 4 of the Notes to Financial Statements of this announcement, during the Reporting Period, the Group increased the investment in the associated company, Jianwei one-longitudinal-two-horizontal Project Management Co. Ltd, by RMB57 million, increased the investment in the subsidiary, Qinhuangdao Yuanji Road Construction Management Co., Ltd., by RMB406 million.

Acquisitions and disposals of subsidiaries

On 17 May 2019, the Company, Baoding Zhongcheng Investment Management Co., Ltd. ("**Baoding Zhongcheng**", a subsidiary wholly owned by the Company), Zhongming Zhiye Co., Ltd. ("**Zhongming Zhiye**") and Hebei Construction Group Qianqiu Management Co., Ltd. ("**Qianqiu Management**") entered into the Equity Swap and Transfer Agreement, pursuant to which, the Company proposed to swap the 90% shares, 66% equity interests and 55% equity interests held by the Company in Zhongcheng Real Estate Development Co., Ltd. ("**Zhongcheng Real Estate**"), Baoding Tian'e Real Estate Development Co., Ltd. ("**Baoding Tian'e Real Estate**") and Sanhe Jinshibang Real Estate Development Co., Ltd. ("**Jinshibang Real Estate**"), respectively ("**Disposal Subject**") held by it with the 100% equity interests in HCG Garden Engineering ("**Acquisition Subject**") held by Zhongming Zhiye. Meanwhile, Baoding Zhongcheng transferred the 10% shares in Zhongcheng Real Estate ("**Equity Transfer Subject**") held by it to Qianqiu Management. The consideration shortfall between the Disposal Subject and the Equity Transfer Subject as well as the Acquisition Subject was made up by the Company in cash to Zhongming Zhiye, totalling RMB9.9 million. For details, please refer to the announcement dated 17 May 2019 and the circular dated 31 May 2019 of the Company.

Employee and Remuneration Policies

As of 31 December 2019, the Group has had a total of 8,062 full-time employees (31 December 2018: 7,092). Through integrating human resources strategy and based on different job classification, the Group has established a performance and competence-oriented remuneration system and competitive remuneration standards with reference to the remuneration level of relevant enterprises in the same region and the same industry, which provided effective guarantee for recruiting, retaining and motivating talents, as well as the pursuit of human resources strategy of the Company.

OUTLOOK

The year 2020 is the last year of the 13th Five-Year Plan.

In this year, we must continue to maintain a uplift spirit of fighting and continue to adhere to the strategy of "foundation strengthening, business upgrade, further innovation and sustainable development". We must require ourselves to meet the standards for a listed company. Centering on the performance excellence model and focusing on efficiency, we will pursue various goals with high-caliber talents by adopting information technology and innovation measures, relying on the project department and following the guidance of the operation manual.

I. Spreading our Wings and Accelerating Industrial Transformation and Upgrading

The optimization of industrial structure and the business transformation and upgrading are arduous tasks before us, and they are also one of the main reasons restricting the development of the industry. We must continue to plump and expand our "wings" of finance and technology so that the Company may continue to grow.

(I) The wing of finance boosting our business development

Financial capital is playing an increasingly important role in the corporate development. Having financial capital means having competitive strength and development capabilities. We must use the financial capital to improve our market share, so that the financial capital can better serve our business expansion in the market.

(II) The wing of technology supporting our business development

Nowadays, the cycle for the upgrading by new discoveries, new technologies, new products, and new materials is getting shorter and shorter, and there is an endless stream of engineering and technological innovation achievements. To focus on science and technology, we cannot wait and see, nor can we wait to follow the trend. We must have the energy to seize every minute. We shall place science and technology in a more prominent position to enable ourselves to comprehensively enhance our ability to innovate independently. We strive to master the core technologies and key technologies, enhance the ability to transform scientific and technological achievements, and improve the overall technological level of the industry, thereby enhancing the overall competitiveness of the Company and the development potential in the future.

II. Continuing to establish ourselves into "two providers"

First, we shall establish ourselves to be the leading integrated service provider in construction service, with a business scope covering building construction, municipal public works, road construction, bridge construction, railway construction, water conservancy and hydropower, ports and other projects, as well as other large-scale infrastructure and other fields, to improve comprehensive professional solutions for customers in the construction field.

Second, we shall establish ourselves to be the leading municipal service provider. In the fields of gas, water supply, drainage, heating, civil air defense, urban roads, underground pipeline networks, communities and other industries, we have formed mature segmented products and professional industry solutions to meet the various needs of customers.

III. Drawing on market leading position to increase our market share

(I) Strive to improve project performance

In terms of market composition, our shortcoming is that we lack high-grade, precise, advanced, sophisticated and special projects, which has caused trouble in maintaining our qualification grades and increasing items and upgrading of qualifications. We must aim at such projects and pay close attention to them, especially working on super high-grade and long-span projects. We must make full use of the platform advantages of the Group, dare to compete with strong players, achieve a successful bidding, accumulate excellent performance and build up our corporate brands.

(II) Seize the opportunity and make good use of our professional business reputation

The economy in China has changed from a high-speed growth stage to a high-quality development stage. Under such context, it becomes an important task across the country to focus on the steady growth, expanding efficient investment, and accelerating the construction of a number of transportation infrastructures which are important to the overall development of the country. Construction of airport is among the most important ones.

In terms of airfield construction, the Group has a high-quality platform, a good brand and remarkable performance. We need to make good use of such professional business reputation to expand our market share in the airfield construction across the country and expand our profit point. The Group has decided to set up the second airfield subsidiary in Inner Mongolia. We must work closely with the subsidiary and work together to achieve breakthroughs as early as possible, and quickly expand the market size to achieve a high-quality development.

(III) Strive to achieve a breakthrough in the Xiong'an market

There are entry barriers for local construction enterprises, especially private construction enterprises, in the Xiong'an market, which objectively affected us adversely. However, in terms of market competition, there is no free lunch. We must adopt a variety of strategies to achieve breakthroughs under the premise of complying with the applicable laws and regulations. In view of the current reality, we must explore a way to cooperate with the state-owned enterprises to achieve a win-win situation in the Xiong'an market. The Xiong'an Headquarters should play a practical role in collecting and reporting relevant information in a timely manner to provide a decision-making basis for the management.

IV. Quality and Efficiency Improvement to Achieve A High-quality Development

Efforts will be made to improve the profitability of the projects. We shall make every effort to recover the receivables, liquidize our funds, and ensure the safety of the capital chain. We shall prevent risks and ensure the safe operation of the Group.

In 2020, let us unite as one, work in unison and cleave through the waves towards the set goals with a resolution, achieving the vision of "a happy enterprise that seeks common development and a century-old company with an ever-lasting foundation".

III. OTHER INFORMATION

DIVIDEND

The accumulative distributable reserve of the Company as of 31 December 2019 was RMB1,745 million (unaudited). Upon completion of the auditing process, the Company will issue the audited annual results for the year ended 31 December 2019 and announce the decision of proposed payment of final dividend by the Board (if any) for the year ended 31 December 2019.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of Listing Rules 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 2019.

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 2019.

CHANGES OF ACCOUNTING STANDARDS

According to the Consultation Conclusions on Acceptance of Mainland Accounting and Auditing Standards and Mainland Audit Firms for Mainland Incorporated Companies Listed in Hong Kong (《有關接受在香港上市的內地註冊成立公司採用內地的會計及審計準則以及聘用內地會計師事務所的諮詢總結》) published by the Stock Exchange in December 2010, the Experimental Working Scheme for Accounting Firms Involved in Auditing Services to H Share Companies (《會計師事務所從事H股企業審計業務試點工作方案》) issued by the Ministry of Finance (the "**MOF**") of the PRC and the China Securities Regulatory Commission (the "**CSRC**") and other documents, Mainland incorporated issuers listed in Hong Kong are allowed to prepare their financial statements using Mainland accounting standards with effect from 15 December 2010. Mainland accounting firms endorsed by the MOF of the PRC and the CSRC are permitted to provide audit related services for companies by adopting the China Accounting Standards for Business Enterprises.

In order to simplify the work process, improve work efficiency, reduce disclosure costs and audit fees, the Board proposed on 25 March 2019 that, for accounting years beginning from 1 January 2019, the Company adopted only the China Accounting Standards for Business Enterprises in preparing its financial statements. The amendments to the relevant Articles of Association were passed by the Shareholders of the Company at the 2018 Annual General Meeting held on 20 June 2019. For details, please refer to the Company's announcements dated 25 March 2019 and 20 June 2019, respectively, and the circular dated 31 May 2019 published on the website of the Hong Kong Stock Exchange.

For other changes to the accounting standards of the Company, please refer to Note 2 to the unaudited financial statements of this announcement.

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

For the year ended 31 December 2019, the Company and the Group did not repurchase, sell or redeem any of the Company's listed securities.

SIGNIFICANT COMMITMENT

On 31 December 2019, the Group and Baoding Zhucheng (a subordinate associate of Zhongming Zhiye,)

PUBLICATION OF THE UNAUDITED ANNUAL RESULTS ANNOUNCEMENT, FURTHER ANNOUNCEMENT(S) AND ANNUAL REPORT

This unaudited annual results announcement will be published on the HKEXnews website of The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") at www.hkexnews.hk and the website of the Company at www.hebjs.com.cn.

Following the completion of the auditing process, the Company is expected to issue further announcement(s) on or before 30 April 2020 in relation to, among others, (i) the audited results for the year ended 31 December 2019 as agreed by the Company's auditors and the material differences (if any) as compared with the unaudited annual results contained herein, (ii) the decision of proposed payment of final dividend by the Board (if any); (iii) the proposed date on which the forthcoming 2019 annual general meeting will be held, and (iv) the period during which the register of members holding ordinary shares will be closed in order to ascertain shareholders' eligibility to attend and vote at the said meeting, as well as arrangements for payment of proposed dividend. In addition, the Company will issue further announcement as and when necessary if there are other material development in the completion of the auditing process.

The annual report of the Company for 2019 is expected to be published and dispatched to the Company's H shareholders on or before 30 April 2020 and will be published on the aforesaid website of the HKEXnews of the Hong Kong Stock Exchange as well as the website of the Company.

The financial information contained herein in respect of the annual results of the Group have not been audited and have not been agreed with the auditors. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

By order of the Board
Hebei Construction Group Corporation Limited
LI Baozhong
Chairman and Executive Director

Hebei, the PRC
30 March 2020

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