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河北建設集團股份有限公司

HEBEI CONSTRUCTION GROUP CORPORATION LIMITED

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

(Stock Code: 1727)

**ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2022**

The board of directors (the “**Board**”) of Hebei Construction Group Corporation Limited (the “**Company**”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries for the six months ended 30 June 2022. This announcement complies with the relevant content requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) in relation to preliminary announcements of interim results.

PUBLICATION OF THE INTERIM RESULTS AND REPORT

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

The Company’s 2022 interim report containing all information required under the Listing Rules will be dispatched to the Shareholders of H shares and published on the HKEXnews website of the Hong Kong Stock Exchange and the Company’s website in due course.

By order of the Board

Hebei Construction Group Corporation Limited

Li Baozhong

Chairman & Executive Director

Hebei, the PRC
29 August 2022

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

FINANCIAL HIGHLIGHTS

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

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

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

BUSINESS OVERVIEW

Part I: Overview of Company's Business

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

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

A substantial majority of our revenue is generated from the construction contracting business, which mainly comprises of building construction business, infrastructure construction business and specialized and other construction contracting business. In the first half of 2022, our new contract value was RMB21,229 million, representing a decrease of 3.1% as compared with RMB21,908 million for the corresponding period of last year.

New contract value (by region):

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

New contract value (by segment):

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

Building Construction Business

We provide construction contracting services for residential, public works, industrial and commercial construction projects. We undertake most of such construction projects as a general contractor. As a general contractor, we undertake all main aspects of construction projects, including building construction, foundation work, curtain wall construction, building decoration and fire engineering. We are also responsible for engaging subcontractors in providing construction services and the labor force for construction projects, coordinating the works of all parties, providing the major equipment and machinery, procuring raw materials and ensuring that construction projects are carried out on schedule. In the first half of 2022, the new contract value from the building construction business was RMB15,197 million, compared with RMB14,855 million for the corresponding period of last year.

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

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

Infrastructure Construction Business

In addition to our core building construction business, we are also providing construction contracting services for municipal and transportation infrastructure projects, including facilities for water supply and treatment, gas and heating, urban pipelines, landscaping, roads, bridges and airport runways. We undertake most of such construction projects as a general contractor. Our infrastructure construction customers are primarily local governments. In the first half of 2022, the new contract value from the infrastructure construction business was RMB4,226 million, compared with RMB5,225 million for the corresponding period of last year.

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

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

Specialized and Other Construction Contracting Business

We also undertake construction contracting projects by leveraging our qualifications and experience in specialized areas such as electrical and mechanical installation, construction of steel structures and decoration. Our electrical and mechanical installation works generally cover the supply, installation and maintenance of equipment for power plants, pipelines for heating and natural gas, as well as air-conditioning, mechanical ventilation and exhaust air systems. Steel structure construction generally refers to the building of the structural supporting elements comprising steel columns, girders and beams of a construction project. Decoration usually refers to the decoration and fixture handling after the completion of the major construction of the building. In the first half of 2022, the new contract value from the specialized and other construction contracting business was RMB1,806 million, compared with RMB1,828 million for the corresponding period of last year.

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

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

Representative projects of new contracts

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

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

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

Representative projects of construction in progress

Business segment	Name of project	Executive contract value (RMB100 million)	Region
Public building	Zhifeiluzhu COVID-19 Vaccine and Engineered Vaccine Industrialization Base Project (12 Items Including No. 1 Production Workshop (Including Connecting Corridor)) (智飛綠竹新型病毒疫苗和工程疫苗產業化基地項目 (1號生產車間(包括連廊)等12項))	5.49	Beijing
	Yutian County Hospital Relocation Project (玉田縣醫院整體遷建工程)	6.73	Hebei
	Baoding National University Science and Technology Park Science and Innovation Zone Project (Productive Services) (保定國家大學科技園科創分園項目(生產性服務業))	7.82	Hebei
	Knowledge City ZSCXN-B3-2 (Medical City) Project (知識城ZSCXN-B3-2(醫療城)項目)	12.60	Guangdong
	Construction Project of Shengzhou Culture and Media Center (嵊州市文化傳媒中心建設工程)	5.64	Zhejiang
	Construction Project of Phase II of the New Campus of Baoding Qingyuan District People's Hospital (保定市清苑區人民醫院新院區二期建設項目)	5.18	Hebei
	Construction of Area A of Diangu Financial Center (電谷金融中心A區施工)	6.82	Hebei

Business segment	Name of project	Executive contract value (RMB100 million)	Region
	Construction of 101 Medical General Building, Zhengding New District Hospital (North Phase I) of the No. 2 Hospital of Hebei Medical University (河北醫科大學第二醫院正定新區醫院(北區一期)101醫療綜合樓施工)	7.68	Hebei
	EPC Project of Infrastructure in Jining Taibai Lake Xincheng College Technology Park (濟寧太白湖新城大學科技園基礎設施EPC項目)	5.57	Shandong
	Construction of Medical General Building, Scientific Research Building and Medical Quarantine Building for the Relocation Project of Hohhot No.2 Hospital (呼和浩特市第二醫院遷建項目醫療綜合樓、科研樓、醫護隔離樓等工程施工)	7.10	Inner Mongolia Autonomous Region
Residential building	R2 Type II Residential Land Project at Lot 1606-641, Xihuang Village, Shijingshan, Beijing (18 Items Including Residential Building 1#) (石景山區西黃村1606-641地塊R2二類居住用地項目(1#住宅樓等18項))	5.36	Beijing
	Phase IV of Resettlement Housing Project in Huangqu New Village, Pingfang Town (36 items including residential building 1#) (平房鄉黃渠新村四期安置房項目(1#住宅樓等36項))	14.50	Beijing
	Xinjiang Production and Construction Corps 13th Division Xinxing City Center Ecological Green Space Construction Project (EPC General Contracting) (新疆生產建設兵團第十三師新星市中心城區生態綠地建設項目(設計採購施工一體化總承包))	6.85	Xinjiang Uygur Autonomous Region

Business segment	Name of project	Executive contract value (RMB100 million)	Region
	EPC General Contracting of the Construction Project of Riverside Relocation Housing in Xishui County (浞水縣一河兩岸回遷房建設項目EPC總承包)	10.10	Hubei
	EPC General Contracting of the Construction Project of South Zone of Lot A in the West Side of Beihu Core Area, Tianqiao District, Jinan (濟南市天橋區北湖核心區西側片區地塊A南區建設項目施工總承包工程)	10.78	Shandong
Commercial building	Hengbai International Plaza Construction Project (衡百國際廣場建設項目)	2.35	Hebei
	ZXZ-010 Plot F3 Other Mixed-Use Land Project under the Zhuxin Zhuang New Area (Phase II) Tier 1 Land Development Project in Changping District, Beijing (5 projects including Huicong Building) (北京市昌平區朱辛莊新區(二期)土地一級開發項目ZXZ-010地塊F3其他類多功能用地項目(慧聰大廈等5項))	2.45	Beijing
	Gu'an Laikangjun North Lakeside Commercial (Elderly Care and Healthcare Project Phase II) Project (固安來康郡·大湖北側商業(養老健康養生項目二期項目)項目)	4.00	Hebei
Industrial building	Section 1 of the Construction Project of Photovoltaic Technology Industrial Base of CSIC Zhuozhou Marine Equipment Technology Industrial Park (中船重工涿州海洋裝備科技產業園光電技術產業基地建設項目一標段)	1.06	Hebei

Business segment	Name of project	Executive contract value <i>(RMB100 million)</i>	Region
	Beijing Electronic City IT Industry Park Electronic Industry Factory Project (D3 Workshop (for High and New Technology Industry) and B3 Workshop (for High and New Technology Industry)) (北京電子城IT產業園電子工業廠房項目 (D3廠房 (高新技術產業用房)、B3廠房 (高新技術產業用房)))	2.49	Beijing
	China Smart Network Backbone		

Business segment	Name of project	Executive contract value (RMB100 million)	Region
Municipal infrastructure construction	Road Construction of the Infrastructure Construction Project of Baoding Shenzhen Hi-Tech Innovation Industrial Park (North of Shenbao Avenue) (保定深圳高新技術科技創新產業園基礎設施建設項目道路工程(深保大道以北))	2.05	Hebei
	Construction of Yili Modern Intelligent Health Valley Core Launch Area Infrastructure Construction Project – Taigemu Avenue (Phase II) (伊利現代智慧健康谷核心啟動區基礎設施建設項目 - 台閣牧大道(二期)施工)	1.49	Inner Mongolia Autonomous Region
Decoration	Beijing New Airport Education and Scientific Research Station Decoration Project (北京新機場教育科研基地裝修工程)	0.81	Beijing
Specialized and Other Construction	Comprehensive Treatment of Baoding Fu River Water System (Phase II) – Huanghuagou Ecological Facility Comprehensive Improvement Project (General Contracting) (保定市府河水系綜合治理(二期) - 黃花溝生態設施綜合提升工程(工程總承包))	9.06	Hebei
	EPC General Contracting of Road Greening and Landscaping of the First Phase of Langfang Airport Economic Zone (廊坊臨空經濟區起步區道路綠化及生態綠地EPC工程總承包)	2.62	Hebei
	Section 2 of Jin'an Lake Project (Construction) (晉安湖項目第2標段(施工))	2.59	Fujian

Representative projects of completed projects

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

Part II: Research and Development Achievements and Awards

In the first half of 2022, the Company achieved remarkable results in various aspects of technology innovation, including implementation of technology research and development projects, construction and operation of technology platform and application and licensing of intellectual property.

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

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

Part Iii: Outlook

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

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

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

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

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

The Company strives to develop strong customer seits.c0.0eit3e(t)0.5 r.5 (e)0.5 2g mmap40u9n0.5 (t)0.5 (om)0.5 ou (h)0.5

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

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

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

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

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

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

FINANCIAL REVIEW

Revenue, Cost of sales and Gross Profit

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

Segment operating results of construction contracting business

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

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

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

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

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

Selling and Distribution Expenses

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

General and Administrative Expenses

In the first half of 2022, the Group's general and administrative expenses amounted to RMB283 million, representing an increase of RMB12 million as compared to the same period in 2021. This was mainly due to the slight increase in salary during the Reporting Period, which led to an increase in employee remuneration, benefits and social insurance contributions as compared to the same period of last year.

Research and Development Expenses

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

Impairment Losses of Credit Losses

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

Impairment Losses on Assets

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

Investment Income

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

Income Tax Expenses

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

Net Profit

Based on the above factors, net profit for the first half of 2022 was RMB154 million, representing a decrease of approximately RMB75 million as compared with the corresponding period of last year.

Liquidity, Financial Sources and Capital Structure

The Group finances operations primarily through cash generated from operating activities and interest-bearing borrowings. As of 30 June 2022 and 31 December 2021, the Group had cash and cash equivalents of approximately RMB7,055 million and approximately RMB8,810 million, respectively. For the liquidity and capital structure of the funds of the Group, please refer to the financial ratios below.

Currency Funds

As at 30 June 2022, currency funds of the Group were RMB7,055 million, representing a decrease of RMB1,755 million as compared with that at the end of 2021, which was mainly due to the net cash outflows resulted from the increase in operating activities.

Financial Policy

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

Long-term Equity Investments

As at 30 June 2022, the long-term equity investment was RMB508 million, representing a decrease of RMB14 million as compared with that at the end of 2021, which was mainly due to the change in profit or loss of investments under equity method.

Accounts Receivable and Long-term Receivables

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

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

Other Receivables

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

Contract Assets and Construction Services Contract Liabilities

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

Other Equity Instrument Investments

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

Borrowings

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

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

Bills and Accounts Payable

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

Capital Expenditures

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

Capital Commitment

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

Financial Ratios

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

Notes:

- (1) Current ratio (times) represents total current assets divided by total current liabilities as at the relevant date.
- (2) Quick ratio (times) represents total current assets minus inventory divided by total current liabilities as at the relevant date.
- (3) Gearing ratio represents total interest-bearing liabilities divided by equity as at the relevant date and multiplied by 100%.
- (4) Return on assets represents profit for the period/year divided by the average of total assets at the beginning and end of the period/year and multiplied by 100%.
- (5) Return on equity represents profit for the period/year divided by the average of total equity at the beginning and end of the period/year and multiplied by 100%.

Significant Acquisition or Disposal

During the Reporting Period, the Group did not have any significant acquisition or disposal.

Contingent Liabilities

As at 30 June 2022, the banking facilities granted to third parties subject to guarantees given to the banks by the Group were utilised to the extent of approximately RMB530 million, and contingent liabilities arising from pending litigation or arbitration amounted to RMB10 million.

RMB Exchange Rate Fluctuations and Exchange Risk

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

Employee and Remuneration Policies

As of 30 June 2022, the Group has had a total of 8,934 full-time employees (31 December 2021: 9,064).

Significant Subsequent Events

Termination of Proposed A Share Offering

References are made to the Company's announcements dated 30 April 2019, 19 July 2019 and 16 September 2019, respectively, and the notice, the revised notice and circular (the "**Circular**") of the 2019 second extraordinary general meeting and the 2019 first H Shareholders class meeting dated 30 July 2019 and 27 August 2019, respectively, in relation to, among others, the proposed A Share Offering by the Company and related matters. Unless otherwise stated, capitalized terms used herein shall have the same meanings as those defined in the Circular.

As at the date of this announcement, the valid period of the resolutions in relation to the proposed A Share Offering has expired. Due to changes in the external environment and the adjustment of the Company's own development strategy, after comprehensive consideration, the Company decided to adjust its capital market operation plan, cease to proceed with the proposed A Share Offering and terminate the consultation filing.

The Board does not anticipate that the termination of the proposed A Share Offering will have any material adverse impact on the financial position or operation of the Company.

Withdrawal of Application for the H Share Full Circulation Programme

Reference is made to the Company's announcement dated 22 May 2020 in relation to, among others, acceptance by the China Securities Regulatory Commission of the application in respect of the H Share full circulation programme by the Company

Due to changes in the external environment and the adjustment of the Company's own development strategy, after comprehensive consideration, the Company intended to withdraw the application materials for the H Share full circulation programme.

The Board does not anticipate that the withdrawal of application for the H Share full circulation programme will have any material adverse impact on the financial position or operation of the Company.

Save as disclosed above, the Group has no significant subsequent events as of the date of this announcement.

OTHER INFORMATION

Dividend

No interim dividend was proposed for the six months ended 30 June 2022.

Compliance with the Corporate Governance Code

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

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

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

During the six months ended 30 June 2022, the Company had complied with all the code provisions as set out in the Corporate Governance Code and had adopted most of the recommended best practices as set out therein.

Compliance with the Model Code

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as the code for all Directors and Supervisors to conduct transactions of the Company’s securities. The Company has made specific inquiries to all Directors and Supervisors, and they all confirmed that they have complied with the standards specified in the Model Code during the six months ended 30 June 2022.

Amendments to the Articles of Association

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

Purchase, Sale or Redemption of Listed Securities of the Company

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

Review of Interim Results by Audit Committee

The members of the Audit Committee of the Company are Ms. Shen Lifeng (Chairwoman of the committee), Mr. Li Baoyuan, Mr. Cao Qingshe, Ms. Chen Xin and Mr. Chan Ngai Sang Kenny. The Audit Committee of the Company has reviewed and confirmed the Group’s interim results announcement for the six months ended 30 June 2022 and the unaudited interim financial statements for the six months ended 30 June 2022 prepared in accordance with CASBE.

INTERIM CONSOLIDATED BALANCE SHEET

30 June 2022

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

INTERIM CONSOLIDATED BALANCE SHEET (Continued)

30 June 2022

RMB'000

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

INTERIM CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2022

		<i>RMB'000</i>
	<i>Note</i>	For the six months ended 30 June 2022 (Unaudited)
		For the six months ended 30 June 2021 (Unaudited)
Revenue	5	16,589,225
Less: Cost of sales		15,712,887
Taxes and surcharges		39,488
Selling and distribution expenses		743
General and administrative expenses		282,746
Research and development expenses		22,222
Finance costs		172,103
Including: Interest expenses		188,018
Interest income		13,480
Add: Other income		1,271
Investment income		25,167
Including: Share of losses of joint ventures and associates		(63)
Losses on derecognition of financial assets at amortised cost		(8,567)
Gains on fair value changes		384
Impairment losses of credit losses		(34,206)
Impairment losses on assets		(134,562)
Gains from disposal of assets		–
Operating profit		217,090
Add: Non-operating income		3,276
Less: Non-operating expenses		4,629
Total profit		215,737
Less: Income tax expenses	6	61,626
Net profit		154,111
		291,947
		747
		10,614
		282,080
		52,999
		229,081

INTERIM CONSOLIDATED INCOME STATEMENT (Continued)

For the six months ended 30 June 2022

		<i>RMB'000</i>
	<i>Note</i>	
		For the six months ended 30 June 2021 (Unaudited)
		For the six months ended 30 June 2022 (Unaudited)
Classified by the continuity of operation		
Net profit from continuing operations		229,081
Classified by the ownership		
Net profit attributable to owners of the Company		236,829
Loss attributable to non-controlling interests		(7,748)
Other comprehensive (loss)/income, net of tax		12,092
Other comprehensive (loss)/income, net of tax, attributable to shareholders of the parent		12,092
Other comprehensive (loss)/income that cannot be reclassified to profit and loss		
Changes in fair value of other equity instrument investments		10,015
Other comprehensive income that will be reclassified to profit and loss		
Changes in fair value of receivables at fair value through other comprehensive income		2,077
Total comprehensive income		241,173
Including:		
Total comprehensive income attributable to owners of the Company		248,921
Total comprehensive loss attributable to non-controlling interests		(7,748)
Earnings per share (RMB/share)		
Basic and diluted earnings per share	7	0.13

NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2022

RMB'000

1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

RMB'000

The operating revenue is as follows:

	For the six months ended 30 June 2022 (Unaudited)	For the six months ended 30 June 2021 (Unaudited)
Revenue from contracts with customers	16,572,864	19,955,411
Rental income	16,361	14,996
	16,589,225	19,970,407

Revenue from contracts with customers is set out as follows:

For the six months ended 30 June 2022 (Unaudited)

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

For the six months ended 30 June 2021 (Unaudited)

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

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

Construction services

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

Sale of goods

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

Sewage and reclaimed water treatment

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

RMB'000

6. INCOME TAX EXPENSES

	For the six months ended 30 June 2022 (Unaudited)	For the six months ended 30 June 2021 (Unaudited)
Current income tax expenses	101,597	140,752
Gains on deferred income tax	(39,971)	(87,753)
	<u>61,626</u>	<u>52,999</u>

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

7. EARNINGS PER SHARE

	For the six months ended 30 June 2022 RMB per share (Unaudited)	For the six months ended 30 June 2021 RMB per share (Unaudited)
Basic earnings per share		
Continuing operations	<u>0.09</u>	<u>0.13</u>

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

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

	For the six months ended 30 June 2022 (Unaudited)	For the six months ended 30 June 2021 (Unaudited)
Earnings		
Net profit for the period attributable to ordinary shareholders of the Company		
Continuing operations	<u>159,234</u>	<u>236,829</u>
Shares		
Weighted average number of ordinary shares in issue of the Company	<u>1,761,383,500</u>	<u>1,761,383,500</u>

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

8. DIVIDEND

No interim dividend was proposed.

DEFINITIONS

“Articles of Association”	the articles of association of the Company, as amended, supplemented or otherwise modified from time to time
“Audit Committee”	the Audit Committee of the Board
“Board”	the board of Directors of the Company
“Board of Supervisors”	the board of Supervisors of the Company
“CASBE”	Chinese Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC, as amended, supplemented or otherwise modified from time to time
“China” or “PRC”	the People’s Republic of China, excluding, for the purpose of this interim report, Hong Kong, Macau and Taiwan
“Company”	Hebei Construction Group Corporation Limited, a joint stock company incorporated in the PRC with limited liability on 7 April 2017, whose H Shares were listed on the Main Board of the Hong Kong Stock Exchange on 15 December 2017 (Stock Code: 1727). Unless the context otherwise requires, it shall include its predecessor, Hebei Construction Group Co., Ltd. (河北建設集團有限公司) (a limited liability company established under the laws of the PRC on 29 September 1997)
“Corporate Governance Code”	Corporate Governance Code as set out in the Appendix 14 the Listing Rules, as amended, supplemented or otherwise modified from time to time
“Director(s)”	the director(s) of the Company
“Group” or “we” or “us” or “our”	the Company and its subsidiaries (or the Company and any one or more of its subsidiaries, as the context may require), or (as the context may require) in respect of the period before the Company becomes the holding company of its present subsidiaries, such subsidiaries as if they were the Company’s subsidiaries at that time
“H Share(s)”	overseas listed foreign Shares in the ordinary Shares of the Company with a nominal value of RMB1.00 each, which are to be subscribed for and traded in HK dollars and are to be listed on the Hong Kong Stock Exchange

“HK dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“Reporting Period”	the period of six months commencing on 1 January 2022 and ending on 30 June 2022
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each
“Shareholders(s)”	holder(s) of the Share(s) of the Company
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules, unless the context requires otherwise
“Supervisor(s)”	supervisors of the Company