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

2017
ANNUAL REPORT

CONTENTS

CHAIRMAN'S STATEMENT

Dear Shareholders,

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

The year 2017 was full of exciting events and extraordinary accomplishments for the Company. Not only was it our 65th birthday, Hebei Construction Group also celebrated its 20th anniversary of corporate incorporation. During the year, we made outstanding progress and were successfully listed on the Main Board of the Hong Kong Stock Exchange. Furthermore, we accomplished all the financial performance benchmarks while maintaining rapid and steady development.

The total contract value hit the record high. Committed to the development strategy of "leading by the market", we focused on strengthening our market position. Our open-mindedness, as well as practical and pragmatic approach in changing model and restructuring, have led us to another success in market competition. In 2017, the Group's new contract value reached RMB61,300 million, representing 119% of the annual target at RMB51,615 million, up by 27% as compared with the corresponding period of the previous year. We were recognized as "National Reliable and Creditable Enterprise (國家級守合同重信用榮譽稱號)" for six consecutive years, ranked No. 1 in the Hebei Province Comprehensive Credit Assessment System and received the title of 5A Tendering & Bidding in Hebei Province for years in a row.

We have achieved breakthroughs in terms of organization construction and revenue. In 2017, we established 399 project management departments. The Group was awarded "National Outstanding Construction Enterprise (全國優秀施工企業)", "Advanced Construction Enterprise in Hebei Province (河北省建築業先進企業)" and "Hebei Province Credible Construction Enterprise (河北省建築業誠信企業)" and so on and so forth, while five of our employees were recognized as "National Outstanding Project Manager (全國優秀項目經理)". In 2017, the Group recorded revenue of RMB41,177 million, up 6.7% as compared with the revenue of 2016. The amount of contract work-in-progress of the Group was RMB67,266 million, up 38% as compared with the corresponding period of the previous year.

The Group made outstanding achievements in quality technology. The Shijiazhuang Media Tower contracted by the Group won the "2017 Lu Ban Award (2017年度魯班獎)". Moreover, in recognition of its ceaseless pursuit of quality and craftsmanship over the years, the Company was accredited "An Entity of Outstanding Contribution for Launching of Lu Ban Award Winning Construction (創建魯班獎工程突出貢獻單位)" once again, which is an honor awarded only to 33 enterprises across the country. We also garnered one "China Steel Structure Gold Award (中國鋼結構金獎)", one "Chinese Construction Decoration Project Award (中國建築工程裝飾獎)" and 56 provincial outstanding construction awards. In terms of technology development, we received 21 "Hebei Province Construction System Scientific and Technological Progress (河北省建設系統科技進步獎)", 18 provincial process methodologies and core technologies and 26 patents, including 4 invention patents and 22 utility model patents. The Group was also included in the first batch of national refabricated component construction industrial bases. HCG Installment Engineering and HCG Zhuocheng Road and Bridge Engineering, all being our subsidiaries, were recognized as national high-tech enterprises.

Looking forward, the PRC construction industry will follow the clear direction specified in "The Opinions on Promoting the Continuous Healthy Development of the Construction Industry (《關於促進建築業持續健康發展的意見》)" promulgated by the General Office of the State Council and the "13th Five-Year Plan for the Development of the Construction Industry (《建築業發展十三五規劃》)" issued by the MOHURD. With the coordinated development strategy of the Beijing-Tianjin-Hebei Region in full swing, the grand plan for the establishment of the Xiong'an New Area will be rolled out. Hebei Construction Group has built up overall competencies for development over the years. As a result, now it is well positioned to unlock its potential. The Group will make the most of all the favourable external and internal factors.

In 2018, we will further unlock the platform value of the Group, with a focus on technology and financial development to promote business growth. We will enhance organizational construction from the headquarters, branches, subsidiaries to project management departments, thereby laying a solid organization foundation. By strengthening our leading market position and optimizing structure of marketability, we will continue to stay at the top in the industry. Meanwhile, we will proceed with standardized management and promote product quality to garner the consumers' recognition. We will make efforts to increase quality and enhance quantity with scientific management, and continually boost profitability. Our successful listing will serve as a new starting point for us to pursue further and substantial development, and we will serve society, reward the Shareholders and benefit our employees with outstanding performance!

Li Baozhong
Chairman

26 March 2018

CORPORATE INFORMATION

Basic information of the Company is set out below:

LEGAL NAME OF THE COMPANY

河北建設集團股份有限公司

ENGLISH NAME OF THE COMPANY

Hebei Construction Group Corporation Limited

DIRECTORS

Executive Directors

Mr. Li Baozhong *(Chairman of the Board)*
Mr. Shang Jinfeng *(President)*
Ms. Liu Shuzhen
Mr. Liu Yongjian

Non-executive Directors

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

Independent Non-executive Directors

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

SUPERVISORS

Mr. Mao Yuanli *(Chairman of the Board of Supervisors)*
Mr. Liu Jingqiao
Ms. Feng Xiujian
Mr. Yue Jianming
Mr. Wang Feng

JOINT COMPANY SECRETARIES

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

AUTHORIZED REPRESENTATIVES

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

BOARD COMMITTEES

Audit Committee

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

Remuneration and Appraisal Committee

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

Nomination Committee

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

REGISTERED OFFICE

125 Lugang Road
Jingxiu District
Baoding, Hebei Province
PRC

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

125 Lugang Road
Jingxiu District
Baoding, Hebei Province
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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28 Queen's Road East
Hong Kong

STOCK SHORT NAME AND STOCK CODE

HEBEI CONS (01727)

H SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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As to PRC law

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Beijing, PRC

AUDITOR

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

COMPLIANCE ADVISER

Central China International Capital Limited
Suites 1505-1508, Two Exchange Square
8 Connaught Place
Central, Hong Kong

FINANCIAL HIGHLIGHTS

SUMMARY OF CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME

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

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

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

SUMMARY OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

BUSINESS OVERVIEW

PART I: INDUSTRY OVERVIEW

Overview of macro economy in China: In 2017, the annual nominal gross domestic product ("GDP") in China was RMB82,712.2 billion, representing an increase of 6.9% from last year based on comparable price. Despite the slowdown in growth, nominal GDP in China is still expected to show a CAGR of 7.9% from 2016 to 2021, reaching RMB106.3 trillion in 2021, driven by the strong potential in domestic consumption, government stimulus policy and continuous investment in fixed assets.

Construction industry plays a significant role in the development of national economy. Building construction, infrastructure construction and professional supporting services are important components of the construction industry in China. Total output value of the construction industry was RMB21,395.4 billion for 2017, representing an increase of 10.5% as compared to last year, which was higher than the national GDP growth. The national building construction area amounted to 13.17 billion sq.m., representing a year-on-year growth of 4.2%. The newly commenced construction area increased by 7.0% to 1,786.54 million sq.m., of which newly commenced residential area went up by 10.5%. In 2017, national fixed income investment (excluding farmers, the same hereafter) amounted to RMB63,168.4 billion, of which infrastructure investment was RMB14,000.5 billion, representing a growth of 19.0%. Retail amount of construction materials reached RMB322.1 billion in 2017, representing a year-on-year growth of 10.3%.

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

With the coordinated development of the Beijing-Tianjin-Hebei Region started in 2011, the nominal GDP in the Beijing-Tianjin-Hebei Region has been accelerating in the past few years, driven by the strong economic and policy support from the government. It is expected to keep growing at a CAGR of 3.0% and reach RMB8,337.8 billion in 2021.

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

PART II: OVERVIEW OF COMPANY BUSINESS

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

- Construction contracting business. We provide construction contracting services mainly as a general contractor for building construction projects and infrastructure construction projects.

- Other businesses. We also engage in property development, property management and other businesses.

Our total revenue increased from RMB38,609.4 million in 2016 to RMB41,177.3 million in 2017, representing a year-on-year growth of 7%. Our profit for the year increased by 34% from RMB813.6 million in 2016 to RMB1,094.1 million in 2017. A substantial majority of our revenue was generated from the construction contracting business, which mainly comprises building construction business, infrastructure construction business and specialized and other construction contracting business. Of which, new contract value increased by 27% from RMB48,260.5 million in 2016 to RMB61,309.3 million in 2017, and backlog increased by 38% from RMB48,612.4 million in 2016 to RMB67,266.0 million in 2017.

Revenue from the building construction business (by region):

Year	2016	**2017**
RMB million	39,176.1	**39,613.4**
Share of Beijing-Tianjin-Hebei	64.50%	**64.89%**
Share of Beijing	9.60%	**8.11%**
Share of Tianjin	4.70%	**5.06%**
Share of Hebei	50.20%	**51.72%**
Share of other regions	35.50%	**35.11%**

New contract value (by region):

Year	2016	**2017**
RMB million	48,260.5	**61,309.3**
Share of Beijing	8.82%	**3.50%**
Share of Tianjin	6.24%	**4.47%**
Share of Hebei	52.35%	**48.69%**
Share of other regions	32.59%	**43.34%**

Backlog (by region):

Year	2016	**2017**
RMB million	48,612.4	**67,266.0**
Beijing	12.41%	**8.40%**
Tianjin	4.12%	**3.58%**
Hebei	50.13%	**49.29%**
Other regions	33.34%	**38.73%**

(1) Building Construction Business

We provide construction contracting services for residential, public works, industrial and commercial construction projects. We undertook most of such construction projects as a general contractor. As a general contractor, we perform all the main aspects of the construction project, including building construction, foundation works, curtain wall construction, building decoration and fireproofing projects. We are also responsible for engaging subcontractors in providing construction services and the labor force for the construction project, coordinating the work of all parties, providing the major equipment and machinery, procuring raw materials and ensuring that the construction project is on schedule. In 2016 and 2017, our revenue from building construction projects was RMB23,976.9 million and RMB25,045.8 million respectively, accounting for 61.2% and 63.2% of our revenue from construction contracting business for the corresponding period respectively. New contract value was RMB30,088.4 million and RMB38,909.4 million respectively, and backlog was RMB34,354.6 million and RMB47,430.2 million respectively.

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

Year	2016	**2017**
RMB million	30,088.4	**38,909.4**
Share of Beijing	11.60%	**4.26%**
Share of Tianjin	7.37%	**5.89%**
Share of Hebei	52.36%	**43.45%**
Share of other regions	28.67%	**46.40%**

Backlog of the building construction business (by region):

Year	2016	**2017**
RMB million	34,354.6	**47,430.2**
Share of Beijing	14.55%	**8.95%**
Share of Tianjin	4.80%	**4.16%**
Share of Hebei	44.38%	**47.56%**
Share of other regions	36.27%	**39.33%**

(2) Infrastructure Construction Business

In addition to building construction, which has been our core business, we are also providing increasing construction contracting services for municipal and transportation infrastructure projects, including facilities for water supply and treatment, gas and heating, urban pipelines, roads, bridges and airport runways. We undertook most of such construction projects as a general contractor. Our infrastructure construction customers are primarily local governments. In 2016 and 2017, our revenue from infrastructure construction projects was RMB12,198.8 million and RMB9,991.8 million respectively, accounting for 31.1% and 25.2% of our revenue from construction contracting business for the corresponding period respectively. New contract value was RMB13,078.2 million and RMB20,647.7 million, and backlog was RMB11,207.9 million and RMB15,575.7 million.

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

Year	2016	**2017**
RMB million	13,078.2	**20,647.7**
Share of Beijing	4.76%	**1.98%**
Share of Tianjin	3.30%	**1.41%**
Share of Hebei	59.77%	**57.51%**
Share of other regions	32.17%	**39.10%**

Backlog of the infrastructure construction business (by region):

Year	2016	**2017**
RMB million	11,207.9	**15,575.7**
Beijing	8.74%	**8.73%**
Tianjin	2.28%	**1.11%**
Hebei	62.65%	**48.30%**
Other regions	26.33%	**41.86%**

(3) Specialized and Other Construction Contracting Business

We also undertake construction contracting projects by leveraging our qualifications and experience in specialized areas such as electrical and mechanical installation and construction of steel structures. Our electrical and mechanical installation works generally cover the supply, installation and maintenance of equipment for power plants, pipelines for heating and natural gas, as well as air-conditioning, mechanical ventilation and exhaust air systems. Steel structure construction generally refers to the building of the structural supporting elements comprising steel columns, girders and beams of a construction project. In 2016 and 2017, our revenue from specialized and other construction contracting business was RMB3,000.4 million and RMB4,575.8 million respectively, accounting for 7.7% and 11.56% of our revenue from construction contracting business for the corresponding period respectively.

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

Year	2016	**2017**
RMB million	5,093.9	**1,752.2**
Share of Beijing	2.80%	**4.63%**
Share of Tianjin	7.06%	**9.14%**
Share of Hebei	33.47%	**61.23%**
Share of other regions	56.67%	**25.00%**

Backlog of the specialized and other construction contracting business (by region):

Year	2016	**2017**
RMB million	3,049.9	**4,260.2**
Share of Beijing	0.18%	**0.99%**
Share of Tianjin	3.27%	**6.22%**
Share of Hebei	68.85%	**72.25%**
Share of other regions	27.70%	**20.53%**

Home to over 100 million people and contributing over one-tenth of China's GDP in 2016, the Beijing-Tianjin-Hebei Region has a vibrant, open and innovative economy, and is one of the key engines of China's economic growth. Rooted in Hebei Province for 65 years, we are well-positioned to benefit from PRC national strategies of the coordinated development of the Beijing-Tianjin-Hebei Region and the establishment of the Xiong'an New Area. In 2017, we ranked 366th among the "Top 500 Enterprises in China" according to the China Enterprise Confederation and the China Enterprise Directors Association, and in 2017, we ranked 20th among the "Top 80 Contractors in China" according to the Construction Times.

Our construction contracting business covers residential, public, industrial and commercial buildings, municipal and transportation infrastructure, as well as specialized construction, such as electrical and mechanical installation and steel structure. Our construction projects are generally awarded through a bidding process or by contract negotiations with our customers. Leveraging our brand name, the diverse coverage of our qualifications and a nationwide business network, we have built a successful track record in the construction contracting industry. We have undertaken the construction of hundreds of landmark projects, such as the Lee Shau-Kee Science and Technology Building of Tsinghua University, Medical Building of the Central South University Xiangya Hospital (New Medical District), expansion project of the Hohhot Baita International Airport, and the Large-Scale Products Mechanical Processing Plant Complex for China Academy of Space Technology.

While building construction has been our core business, we have continually improved our portfolio of services and identified infrastructure construction as our strategic growth areas, which has higher profit margins compared to that of building construction. China's infrastructure development has been growing at a rapid pace, and the growth is expected to continue in the near future, driven by strong economic growth and continued urbanization. Infrastructure construction is fundamental to the development of the Xiong'an New Area, which covers mostly suburban areas. Hebei Province has also planned to make significant investments in transportation infrastructure, in response to the national strategy of Beijing-Tianjin-Hebei coordinated development. Our construction contracting business mainly includes the procurement construction (PC) contracting model, the construction contracting model and the engineering, procurement and construction (EPC) contracting model. Leveraging our industry expertise, track record and enduring customer relationships, we are well-positioned to capture business opportunities in the fast-growing infrastructure industry, including PPP projects, in the Xiong'an New Area, the Beijing-Tianjin-Hebei Region and other parts of China.

PART III: RESEARCH AND DEVELOPMENT ACHIEVEMENTS AND AWARDS

The Company has expanded its market to 31 provinces, municipalities and autonomous regions, as well as nearly 10 overseas countries. As of now, it has launched 21 projects and participated in 9 projects that won the Lu Ban Awards. It garnered the "Gold Award of Outstanding Contribution for Launching of Lu Ban Award Winning Construction (魯班獎工程突出貢獻金獎)" in 2012 and the title of "An Entity of Outstanding Contribution for Launching of Lu Ban Award Winning Construction (創建魯班獎工程突出貢獻單位)" in 2017. Hebei Construction Group has received the "National Quality Project Award (國家優質工程獎)", "Steel Structure Gold Award (鋼結構金獎)", "Star of China Installation Award (安裝之星獎)" and "National Decoration Award (全國裝飾獎)", and was accredited for over 500 "Provincial Quality Construction (省優工程)" and more than 200 provincial or above "Safety Civilization Construction Sites (安全文明工地)".

The Company was awarded the "Second Prize of the National Science and Technology Progress Award (國家科技進步二等獎)", the "Innovation Achievement Award of the China Construction Industry Association (中國建築業協會創新成果獎)" and a large number of provincial-level science and technology achievements and patents. In 2017 alone, it garnered 56 "Provincial Quality Construction (省優工程)" and 21 "Provincial Science and Technology Progress Award (省級科技進步獎)".

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

1. In 2017, the Company led or participated in the formulation of 8 sets of regulations, requirements and standards, and was in the process of preparing 14 sets of regulations, requirements and standards.

2. The "Technology Integration and Application to Secure Water Supply and Safety for Poverty Alleviation and Development of Hebei Mountainous Regions", which was completed with the cooperation of the Company, was awarded the "2017 Hebei Province Mountainous Region Entrepreneurship Award (2017年度河北省山區創業獎)" by the Hebei Provincial Department of Science and Technology. The Group had 21 achievements that won the "Hebei Province Construction System Technological Progress Award (河北省建設系統科技進步獎)" and 3 achievements that were awarded the "Baoding City Technological Progress Award (保定市科技進步獎)". The "New Huaneng Shanxi Low-Carbon Technology R&D Center Project (新建華能山西低碳技術研發中心項目)" and the "Scientific Research Laboratory Building of Tsinghua University Project (清華大學科研實驗樓項目)" passed the interim inspection of the Ministry of Construction for green construction technology model projects.

3. The Company was accredited for 18 provincial-level key process technology, 5 of which are among the top in the country.

4. In 2017, the Company submitted 81 patent applications in China, including 20 applications for invention patents, and was granted 31 patents (including 4 invention patents).

5. In 2017, the Company received the title of "An Entity of Outstanding Contribution for Launching of Lu Ban Award Winning Construction (創建魯班獎工程突出貢獻單位)" and the "Lu Ban Award (魯班獎)" from the China Construction Industry Association. It also won two National Quality Awards in Structure and Decoration and 56 provincial quality construction awards.

6. Xiaoyan Hive Co-working Space (小燕•蜂巢眾創空間), which was established by the Company, was recognized as an outstanding co-working space at the national, provincial and municipal levels and was selected as the "Baoding Innovation and Entrepreneurship Model Base (保定市雙創示範基地)" and "Baoding City Start-up Enterprises Incubator Base (保定市創業孵化基地)".

7. HCG Installment Engineering and HCG Zhuocheng Road and Bridge Engineering were accredited as national high-tech enterprises.

8. The Company continued the research on prefabricated component construction technology for industry upgrade and became one of the first to acquire a national prefabricated component construction base.

PART IV: OUTLOOK

In 2018, the Company will continue to adopt the strategy of "foundation strengthening, business upgrade, further innovation and sustainable development". Centering on the performance excellence model and focusing on efficiency, it will pursue various goals with high-caliber talents by adopting information technology and innovation measures, while the project department will be guided by the operation manual to provide strong support. To this end, we will attach importance to the following tasks:

(I) Become a role model of listed enterprises by establishing management standards for operation compliance

Given the well-established legal system and sound regulatory framework of the financial market, we should acquire relevant knowledge and set up operation standards, so that the Company will become a listed enterprise with excellent governance structure as well as a sound internal mechanism and operating standards.

(II) Leverage the platform to pursue growth driven by financial and technology development

1. Enhance the quality and quantity of project undertaking. Harnessing the capital resources and comprehensive strengths of the Company, we will undertake more high-profile, large-scale, supreme, leading and special construction projects to upgrade the quality and technological level of new projects.

2. New involvement in the PPP sector. Based on existing PPP projects, we will select infrastructure and utility projects that have a relatively higher profit margin.

3. Tap into new investments. We will attempt to invest in sponge city construction projects, airport economy, ecological environment management of river channels and watercourses, and environmental industries such as water supply, sewage treatment and waste treatment for urban and rural areas, through which we expect to gain valuable experience and good investment returns.

4. Push forward the innovation and revolution in residential housing structures. With innovation as the priority, we will take advantage of the "national prefabricated component construction base" previously acquired and give full play to the "Beijing-Tianjin-Hebei Construction Industry Modernization Alliance (京津冀現代化建築產業聯盟)" in the research, development, application and promotion of prefabricated component construction (including the PC system and construction of steel structures). We will develop steel structure-concrete prefabricated component construction, and formulate rules and standards through practices.

5. Advance green construction.

6. Develop intelligent home.

(III) Strive hard for organization construction and sustainable development

Develop the Company into: a leading integrated construction service provider. Our businesses cover building construction, municipal and public construction, road construction, bridge construction, railway construction, water conservancy and hydropower, port and terminal construction, and other large-scale infrastructure construction, as well as the provision of professional integrated solutions in respect of construction for clients.

A leading municipal service provider: We cater to customers' diverse needs with a full suite of products and professional solutions in gas, water supply and drainage, heating, civil defense, urban roads, underground pipeline networks and community sectors.

(IV) Take advantages of the leading position and capture opportunities to further improve market capacity

The three major national development strategies, namely the "Belt and Road Initiative", "coordinated development of the Beijing-Tianjin-Hebei Region" and "Yangtze River Economic Belt", along with the urbanisation characterized by household registration, the construction of beautiful village and building of a moderately prosperous society, provide valuable opportunities for the Company. Among which, the emerging Xiong'an New Area is the most promising one. Not only is Xiong'an New Area a national millennium plan, it also presents a unique opportunity for us. We are well-positioned in respect of geographical advantage and connection. In 2018, we will achieve substantial breakthroughs in Xiong'an market.

(V) Strengthen on-site management for a positive image

Our work sites contribute to our brand image and reflect our management capabilities, hence they are our key to win the market. We will enhance the image of work sites as the primary goal and focus on the followings:

1. Adopt standardized management for overall enhancement

2. Revive the tradition and strengthen the foundation

3. Improve quality to pursue excellence

4. Cherish lives and protect the environment

(VI) Implement scientific management and overcome deficiencies for ongoing profitability upgrade

In order to promote long-term profitability, we will work towards "business expansion, quantity improvement, quality enhancement and rapid development". We will control trade receivables, lower liabilities, carry out capital management and ensure safe operation. Through fund utilization evaluation, we will boost utilization efficiency.

We maintain "honesty and integrity" as a legal person, which are also the moral values upheld by legal persons and natural persons.

(VII) Adopt innovative thinking to capture the market and facilitate the healthy development of the real estate sector

We will seize opportunities in the emerging Xiong'an New Area. We will base in Baoding and intensely explore the Beijing-Tianjin-Hebei Region, while actively expanding to nearby markets and key regions. In particular, we will promptly make plans for entering the Laiyuan market. We will also lead the growth of the industrial real estate and healthcare real estate sectors.

(VIII) Cultural integration for the common goal of a brighter future

By promoting the culture of "creating a harmonious family and becoming a responsible person", we will pursue corporate development driven by the "Family•People" culture. We will also step up efforts in brand building and advertising. The Company is positioned to garner support from employees, recognition from society, love from the public and attention from customers.

Riding on our previous success, we will push forward for further achievements and aim to meet various goals under the "13th Five-Year Plan". To take Hebei Construction Group to the next level, we make it our missions to develop into a PRC leader in innovation, a model for listed companies and a successful international enterprise. The Company is set to evolve into a "people-oriented happy enterprise with vibrant and long-lasting business", so as to make more contribution to society!

MANAGEMENT DISCUSSION AND ANALYSIS

(I) OVERVIEW

The Group is a leading non-state owned construction group in China, providing integrated solutions primarily for the construction contracting of buildings and infrastructure projects. In 2017, the Company pursued high-quality operation and rapid development, resulting in significant growth in business scale and profitability.

Revenue increased by 6.7% from RMB38,609.4 million for 2016 to RMB41,177.3 million for 2017. Profit for the Year increased from RMB813.7 million for 2016 to RMB1,094.0 million for 2017, representing an increase of 34.5%.

(II) CONSOLIDATED RESULTS OF OPERATIONS:

The following table sets forth the consolidated statements of profit or loss and other comprehensive income of the Group for 2016 and 2017:

Item	2016 *RMB in millions*	**2017** ***RMB in millions***	Change in amount *RMB in millions*	Percentage of change *%*
Revenue	38,609.4	**41,177.3**	2,567.9	6.7
Cost of sales	(36,726.6)	**(38,946.4)**	(2,219.8)	6.0
Gross profit	1,882.8	**2,230.9**	348.1	18.5
Other income and gains	201.8	**381.9**	180.1	89.3
Selling and distribution expenses	(66.0)	**(39.3)**	26.7	(40.4)
Administrative expenses	(325.7)	**(423.3)**	(97.6)	30.0
Other expenses	(212.9)	**(399.4)**	(186.5)	87.6
Finance costs	(230.3)	**(182.5)**	47.8	(20.8)
Share of profits and losses of:				
Associates	58.3	**(3.6)**	(61.9)	(106.1)

Item	2016 *RMB in millions*	**2017** ***RMB in millions***	Change in amount *RMB in millions*	Percentage of change *%*
Profit before tax	1,308.0	**1,564.7**	256.7	19.6
Income tax expenses	(257.2)	**(497.4)**	(240.2)	93.4
Profit for the Year				
Profit from continuing operations	1,050.8	**1,067.3**	16.5	1.6
Profit from discontinued operations	(237.1)	**26.7**	263.8	(111.3)
Total comprehensive income for the Year, net of tax	813.7	**1,094.0**	280.3	34.5
Profit attributable to:				
Owners of the parent	768.2	**1,052.2**	284.0	37.0
Non-controlling interests	45.5	**41.8**	(3.7)	(8.0)
	813.7	**1,094.0**	280.3	34.5

Revenue and operating costs

Revenue increased by RMB2,567.9 million from RMB38,609.4 million for 2016 to RMB41,177.3 million for 2017. Cost increased by RMB2,219.8 million from RMB36,726.6 million for 2016 to RMB38,946.4 million for 2017. The growth in costs was basically in line with that of revenue.

Other income and gains

Other income and gains increased by RMB180.1 million from RMB201.8 million for 2016 to RMB381.9 million for 2017, which was mainly attributable to the increase in proceeds from disposal of equity and fixed assets and dividends from available-for-sale investments.

Selling and distribution expenses

Selling and distribution expenses decreased by RMB26.7 million from RMB66.0 million for 2016 to RMB39.3 million for 2017, which was mainly attributable to the decrease in sales expenses for properties held for sale, advertising expenses, and property management fee of sales offices.

Administrative expenses

Administrative expenses increased by RMB97.6 million from RMB325.7 million for 2016 to RMB423.3 million for 2017, which was mainly attributable to the increase in issuance cost, staff remuneration, benefits and social insurance, travel expenses and entertainment expenses.

Other expenses

Other expenses increased by RMB186.5 million from RMB212.9 million for 2016 to RMB399.4 million for 2017, which was mainly attributable to the increase in the impairments of trade receivables, deposits and other receivables, offset by the decrease in financial guarantee contract, penalties and compensation.

Finance costs

Finance costs mainly comprise interest expenses of bank borrowings. It decreased by RMB47.8 million from RMB230.3 million for 2016 to RMB182.5 million for 2017, which was mainly attributable to the decrease in average principal of borrowings as compared to that in 2016.

Share of profits and losses of associates

The Group recorded a loss of RMB3.6 million for 2017, as compared to a profit of RMB58.3 million for 2016, representing a decrease of RMB61.9 million. This was mainly attributable to the disposal of certain associates in 2017, which led to the decrease in share of profits as compared to the previous year.

Income tax expenses

Our income tax expenses increased by RMB240.2 million from RMB257.2 million for 2016 to RMB497.4 million for 2017, which was mainly attributable to the increase in profit before tax and increase in payment of land appreciation tax due to the delivery of a number of completed properties to owners.

Profit from discontinued operations

The Group recorded a profit of RMB26.7 million for 2017, as compared to a loss of RMB237.1 million for 2016, representing an increase of RMB263.9 million. This was mainly attributable to the profit generated by certain companies disposed of in 2017, and such companies included landscaping, BOT sewage treatment, agricultural and inspection companies.

(III) SEGMENT OPERATING RESULTS

	2016				**2017**			
	Revenue	Cost	Gross profit margin	Percentage	**Revenue**	**Cost**	**Gross profit margin**	**Percentage**
	RMB in millions		*%*	*%*	***RMB in millions***		***%***	***%***
Building construction business	23,976.9	23,264.7	3.0	61.2	**25,045.8**	**24,162.5**	**3.5**	**63.2**
Infrastructure construction business	12,198.9	11,651.6	4.5	31.1	**9,991.8**	**9,504.0**	**4.9**	**25.2**
Specialized and other construction business	3,000.3	2,870.8	4.3	7.7	**4,575.8**	**4,309.0**	**5.8**	**11.6**
Total	39,176.1	37,787.1	3.5		**39,613.4**	**37,975.5**	**4.1**	

Building construction business

Building construction business mainly comprises residential construction, public construction, commercial construction and industrial construction. Revenue increased by RMB1,068.9 million or 4.5% in 2017 as compared to that in 2016. Gross profit increased from 3% for 2016 to 3.5% for 2017, which was primarily attributable to:

Revenue from residential construction experienced rapid growth in 2017, with the size of operation increased by RMB3,125.7 million or 27% as compared to last year. This was mainly due to the state's continuous commitment to the scale of urbanisation, the Group's undertaking of more residential construction business, and further enhancement of cost control.

Revenue from industrial construction decreased by RMB1,899.1 million in 2017 as compared to that in 2016. This was mainly attributable to the business expansion in 2016 promoted by government policy promulgated to stimulate the real economy, while in 2017, the Group was constructing projects undertaken in the previous year and did not undertake more large-scale projects in the light of capital requirements, profits and other factors.

Infrastructure construction business

Infrastructure construction business mainly comprises municipal infrastructure construction and transportation infrastructure construction. Revenue decreased by RMB2,207.1 million in 2017 as compared to that in 2016. Gross profit margin increased from 4.5% for 2016 to 4.9%. The decline in revenue in 2017 was mainly attributable to the facts that: (i) we recognised revenue based on percentage of completion of construction and service works and, in 2016, we had completed most of the construction of infrastructure projects that were concluded in 2017; and (ii) the infrastructure construction projects commenced in 2017 were at the beginning stage during the Year and only a limited amount of construction works were completed. Gross profit margin of the infrastructure construction business increased in 2017, which was mainly attributable to the higher gross profit margin of projects commenced in 2017 that drove the gross profit margin of the business.

Specialized and other construction business:

Specialized and other construction business mainly comprises electrical and mechanical installation, steel structure and other construction business. Revenue increased by RMB1,575.5 million or 52% in 2017 as compared to that in 2016. Gross profit margin increased from 4.3% for 2016 to 5.8%. The growth in revenue in 2017 was mainly attributable to the fact that:

We recognised revenue based on percentage of completion of construction and service works and projects of other construction business (mainly included decoration and reinforcement construction), which we undertook in 2016, entered the implementation stage in 2017. As such projects made a significant contribution to the revenue, the operating revenue from survey, design and reinforcement construction for 2017 increased by approximately RMB1,407.1 million or 67% as compared to 2016. The growth in gross profit margin of the specialized and other construction business in 2017 was mainly due to (i) the adoption of effective cost control measures in 2017; and (ii) higher gross profit margin of projects undertook in 2017.

(IV) FINANCIAL RATIOS

	31 December 2017	31 December 2016
Current ratio (times)[(1)]	**1**	1
Quick ratio (times)[(2)]	**1**	1
Gearing ratio[(3)]	**82.8%**	124.8%
Return on assets[(4)]	**2.0%**	1.4%
Return on equity[(5)]	**29.6%**	30.9%

Notes:

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

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

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

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

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

(V) CASH FLOWS

Our net cash and cash equivalents increased from RMB5,163.6 million for 2016 to RMB5,288.0 million for 2017, representing an increase of RMB124.4 million, which was mainly attributable to:

Net cash outflows from operating activities was RMB474.8 million for 2017, as compared to net cash inflow of RMB2,261.6 million for 2016. This was mainly due to the collection of receivables from operating activities in 2017, which accelerated the settlement of receivables from suppliers. Profit before tax from operating activities was RMB1,826.3 million, increase in net assets and liabilities from operating activities was RMB1,964.4 million and payment of enterprise income tax and land appreciation tax totalled RMB336.7 million;

Net cash inflow from investing activities was RMB955.7 million for 2017, as compared to net cash inflow of RMB6.5 million for 2016, which was mainly attributable to the cash inflow of RMB659.5 million from the disposal of discontinued operations, subsidiaries and assets portfolio to Zhongming Zhiye, a related party, and an independent third party in 2017. The disposal of part of the equity interests in two property development subsidiaries to Country Garden generated cash inflow of RMB255.2 million;

Net cash outflow from financing activities was RMB356.4 million for 2017, as compared to net cash inflow of RMB138.4 million for 2016. The Company raised net proceeds of RMB1,524.7 million (net of listing expenses) from the Listing on the Main Board of the Hong Kong Stock Exchange in 2017. It received capital injection totalling RMB300.4 million from the controlling shareholders and non-controlling shareholders to the parent and subsidiaries. It distributed dividends of RMB1,534.9 million to the controlling shareholders and non-controlling shareholders in total. Meanwhile, cash outflow from debt financing activities was RMB644.7 million.

(VI) CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Net current assets:

	31 December 2016 *RMB in millions*	**31 December 2017** ***RMB in millions***	Change in amount *RMB in millions*	Percentage of change *%*
Current assets				
Prepaid land lease payments	0.8	**0.9**	0.1	12.5
Inventories	167.9	**77.8**	(90.1)	(53.7)
Properties under development	3,604.5	**2,574.0**	(1,030.5)	(28.6)
Completed properties held for sale	816.4	**741.4**	(75)	(9.2)
Trade and bills receivables	10,777.4	**6,137.1**	(4,640.3)	(43.1)
Prepayments, deposits and other receivables	6,666.5	**5,808.8**	(857.7)	(12.9)
Amounts due from customers	27,706.9	**27,744.6**	137.7	0.1
Pledged deposits	1,005.0	**222.6**	(782.4)	(77.9)
Cash and bank balance	4,668.8	**5,288**	619.2	13.3
Discontinued operations held for sale	4,468.7	**-**	(4,468.7)	(100.0)
Total current assets	59,882.9	**48,595.2**	(11,287.6)	(18.9)

	31 December 2016 *RMB in millions*	**31 December 2017** ***RMB in millions***	Change in amount *RMB in millions*	Percentage of change *%*
Current liabilities				
Of which: bank borrowings	3,316.3	**1,847.4**	(1,468.9)	(44.3)
Trade payables	40,291.3	**30,849.7**	(9,441.6)	(23.4)
Amounts due to contract customers	2,810.5	**4,374.6**	1,564.1	55.7
Other payables, advances from customers and accruals	7,703.7	**7,074.0**	(629.7)	(8.2)
Tax payable	396.0	**565.6**	169.6	42.8
Estimated liabilities	20.1	**14.2**	(5.9)	(29.4)
Liabilities of discontinued operations held for sale	3,239.2	**-**	(3,239.2)	(100.0)
Total current liabilities	57,777.1	**44,725.5**	(13,051.6)	(22.6)
Net current assets	2,105.8	**3,869.7**	1,763.9	83.8

Our net current assets increased by RMB1,763.9 million from RMB2,105.8 million for 2016 to RMB3,869.7 million for 2017, which was attributable to the greater decline in current liabilities than that in current assets.

Trade and bills receivables:

	31 December 2016 *RMB in millions*	**31 December 2017** ***RMB in millions***
Account receivables	11,465.6	**6,562.2**
Provision for bad debt	(434.5)	**(531.9)**
Net account receivables	11,031.1	**6,030.3**
Bills receivables	252.7	**558.7**
Total trade and bills receivables (including current and non-current)	11,283.8	**6,589.0**
Of which:		
Non-current assets	(506.4)	**(451.9)**
Current assets	10,777.4	**6,137.1**

As of 31 December 2017, the balance of account receivables decreased by RMB4,903.4 million or 43% as compared to the end of 2016. Of which, construction receivables decreased by RMB4,732.6 million in 2017 as compared to those in the previous year, which was mainly attributable to increased collection efforts and, to a lesser extent, the collection of certain amounts in the period, which were individually recognised as bad debts as at the end of 2016. The credit terms of account receivables is generally three to six months and most of the account receivables were collected within three months from the date of invoice.

The following is an aging analysis of trade and bills receivables (excluding retention fee):

	31 December 2016 *RMB in millions*	**31 December 2017** ***RMB in millions***
Within three months	8,985.7	**1,689.9**
Three months to six months	824.5	**929.1**
Six months to one year	57.3	**900.9**
Over one year	137.3	**1,591.7**
Total	10,004.8	**5,111.6**

Turnover days of trade and bills receivables:

	2016	**2017**
Average turnover days of trade and bills receivables [1]	92	**71**

[1] Average turnover days of trade and bills receivables during the relevant period represent the average of opening and closing balance divided by revenue for the period and multiplied by 365 days.

The turnover days for 2017 were 71 days, down by 21 days or 23% from 92 days for 2016, which was mainly attributable to the faster settlement of receivables, leading to the overall significant decline in account receivables for the period.

Trade payables:

	31 December 2016 *RMB in millions*	**31 December 2017** ***RMB in millions***	Change in amount *RMB in millions*	Percentage of change *%*
Account payables	40,261.3	**30,849.7**	(9,411.6)	(23.4)
Bills payables	30.0	**-**	(30.0)	(100.0)
Total account payables	40,291.3	**30,849.7**	(9,441.6)	(23.4)

	31 December 2016 *Days*	**31 December 2017** ***Days***	Change in amount *Days*	Percentage of change *%*
Account payables turnover days	368	**333**	(35)	(9.5)

In 2017, account payables decreased by RMB9,441.6 million and turnover days declined by 35 days as compared to last year, which was mainly attributable to the payment of account payables with long age by the Company due to timely settlement.

Amounts due from/to contract customers

Construction contract	31 December 2016 RMB in millions	**31 December 2017 RMB in millions**	Amount in change RMB in millions	Percentage of change %
Amounts due from contract customers	27,706.9	**27,744.6**	37.7	0.1
Amounts due to contract customers	(2,810.5)	**(4,374.6)**	(1,564.1)	55.7
	24,896.6	**23,370.0**	(1,526.4)	

Construction companies, such as the Group, have balances of amounts due from/to contract customers. A positive balance as at the end of the period indicates revenue recognised but yet to be billed while a negative balance as at the end of the period indicates amounts settled in advance. In general, there are two ways of construction settlement: 1. monthly settlement with the construction party based on a portion (e.g., 70%-80%) of the monthly output of construction work (amount of completed work); 2. settlement based on the milestone events agreed in the contract. In each case, the progress of payment is less than the actual percentage of completion. For most projects, the balance reflects the amounts due from contract customers. In 2017, amounts due from contract customers remained relatively stable and increased by approximately RMB37.7 million or approximately 0.1% as compared to the previous year. Amounts due to contract customers increased by RMB1,564.1 million or approximately 56% as compared to the previous year. The growth in amounts due to contract customers was mainly attributable to certain fast-settling construction projects which we undertook in 2017.

(VII) INDEBTEDNESS

The Group's bank borrowings primarily consist of long-term and short-term borrowings from financial institutions. The balance of bank borrowings decreased by RMB287.4 for 2017, which was mainly attributable to new borrowings of RMB5,526.0 million and repayment of RMB5,813.4 million in 2017.

(VIII) CAPITAL EXPENDITURE

Capital expenditure of the Group was RMB127.7 million in 2017, which mainly comprised property, plant and equipment.

(XI) CONTINGENT LIABILITIES

The Group's contingent liabilities consisted of guarantees of the mortgage provided for property buyers, which decreased from RMB2,304.8 million for 2016 to RMB1,705.2 million for 2017.

(X) AVAILABLE-FOR-SALE INVESTMENTS

The Group increased the investment to Baoding Commercial Bank Co., Ltd. (保定市商業銀行股份有限公司) by RMB297 million during 2017.

(XI) MATERIAL DISPOSALS

Save as the disposal of certain assets and shares to Zhongming Zhiye due to the conversion, there were no other material disposals.

(XII) RISKS

Risks relating to the industry

The change in national policy on the construction industry plays a role in corporate decision making in terms of project undertaking, investment and financing. The Company pushes forward business transformation and upgrade, further undertakes infrastructure projects, pursues progress in EPC and PPP fields and develop new models to enhance comprehensive sustainability.

Market risks

Fluctuations in prices of raw materials, rising labor costs and other risk factors affect project revenue. The Company will improve project management and expand procurement channels to lower procurement costs and boost operating efficiency. Meanwhile, it will monitor the implementation of terms that aim at avoiding and minimizing the above risks when negotiating for and entering into contracts.

Foreign exchange risks

Foreign exchange risks are immaterial to the business of the Company.

Competitive risks

The mismatch between demand and supply in the construction industry intensifies market competition. Failure to compete successfully may lead to loss in market share. The Company will explore value by optimizing resources allocation, reaching the high-end market and upgrading management of major customers to boost overall competitiveness.

Cash flow risks

Our businesses are expose to risks of cash shortage due to account receivables and cost management. In general, PPP projects have large cash expenditures and a longer settlement period, hence we may have to invest significant capital in such projects. The Company will strengthen management standards and put more emphasis on the idea that "Cash is the King." It will implement strict cost control, enhance account receivables management, adopt centralized procurement and boost operational capability.

Risks relating to construction project management

Lack of project resources and insufficient process management may lead to greater performance risks. The Company will exercise stringent contract performance management, improve preliminary project planning, provide full-process service and conduct excellent performance evaluation.

Interest rate risk

The Group's exposure to change in market interest rates relates primarily to its interest-bearing bank and other borrowings. The Group does not use derivative financial instruments to hedge its interest rate risk.

The following sensitivity analysis demonstrates the effect of a reasonably possible change in interest rates, with all other variables held constant, on profit before tax (through the impact on floating rate borrowings).

As of 31 December 2017	**Increase/ (decrease) in basis points**	**Increase/ (decrease) in profit before tax** *RMB in millions*
Benchmark deposit and lending rate of RMB	0.10	(21.50)
Benchmark deposit and lending rate of RMB	(0.10)	21.50

Credit risk

The carrying amounts of cash and bank balance, pledged deposit, trade and bills receivables and financial assets included in prepayments, deposits and other receivables represent the Group's maximum exposure to credit risk in relation to financial assets. Substantially all of the Company's cash and cash equivalents and pledged deposits are held in major financial institutions in Mainland China which are, in the opinion of the management, of high credit quality. The Company has policies to control the size of the deposits to be placed with various reputable financial institutions according to their market reputation, operating scale and financial background with a view to limiting the credit exposure to any single financial institution.

The Company trades only with recognised and creditworthy customers with no requirement for collateral. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis.

Further quantitative data in respect of the exposure to credit risk arising from trade and bills receivables are set out in note 27 to the financial statements.

Liquidity risk

Our liquidity is primarily dependent on the ability to maintain adequate cash inflows from operations to meet debt obligations as they fall due, and the ability to obtain external financing to meet future capital expenditure.

REPORT OF THE BOARD OF DIRECTORS

The Board hereby presents the Report of the Board of Directors, annual results announcement and annual report, and the audited consolidated financial statements of the Group for 2017, which has been prepared in accordance with the IFRSs, to the Shareholders.

CORPORATE INFORMATION AND INITIAL PUBLIC OFFERING

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

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

BUSINESS REVIEW

The Company is a leading non-state owned construction group in China, providing integrated solutions primarily for the construction contracting of buildings and infrastructure projects. Rooted in Hebei Province for 66 years, we are well-positioned to benefit from the coordinated development of the Beijing-Tianjin-Hebei Region, a national strategy of China.

We are principally engaged in the following businesses:

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

- **Other businesses.** The Group also engages in property development and other businesses.

The discussion and analysis of the Group's results and performance during the Year, major factors affecting the results and financial condition, and future development are set out in "Business Overview" on page 9 to page 19, "Management Discussion and Analysis" on page 20 to page 33, this "Report of the Board of Directors" and "Significant Events" on page 54 to page 56 of this report.

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

ENVIRONMENTAL POLICY AND PERFORMANCE OF THE COMPANY

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

In 2017, the Company established the environmental management system based on GB/T24001-(2016)/ISO14001-(2015). It identified and assessed environmental risk factors through PDCA process, formulated targeted management and control measures, and defined responsible departments, personnel and emergency plan, so as to minimise environmental risks and facilitate effective operation and ongoing improvement of the environmental management system. In particular, the Group enhanced control over major environmental factors of top public concerns, which included airborne dust control, noise pollution, vehicles travelling on the road with mud, sewage discharge and solid waste treatment. As a result, the rate of compliance with local environmental regulations and objectives reached 100%. There was no material environmental incidents, major noise nuisance or compliant thereof within the construction sites.

The Company actively supported green construction proposed by the state and industry. It pushed forward new technology for green construction and energy saving and emission reduction, while strictly followed green construction implementation rules and the "Four Environmental Protection Initiatives". It placed great emphasis on pre-planning and process control, covering the entire lifecycle from product planning and design, process implementation to delivery for use. It estimated water and power consumption prior to commencement of construction and formulated reduction plans. In the course of construction, it reduced energy use and consumption through solar power, recycling of rain and wastewater, recycle strategy and standardised tool facilities. The Company performed regular analysis and comparison on "water and energy" consumption statistics, and carried out dynamic error rectification. It established standardised and civilised worksites that save construction resources and adopt green approach, for the purpose of construing green, clean, low-carbon and environmental friendly buildings. In 2017, the engineering experiment and training center of the Hebei Agricultural University has completed interim inspection and acceptance as "Green Construction Demonstrative Project" in Hebei Province.

Further details of the environmental policy and performance of the Company are set out in the "Environmental, Social and Governance Report" to be issued within 3 months from the date of the Company's annual report for 2017.

COMPLIANCE WITH LAWS AND REGULATIONS

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

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

USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING

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

The use of proceeds from the initial public offering of new Shares for the listing on the Stock Exchange of the Company and the issue of new Shares pursuant to the partial exercise of the over-allotment option is as follows:

As at the end of the Reporting Period, a total of RMB144 million of the proceeds was utilized for repayment of bank loans. The Company confirms that the above use of proceeds is in line with that disclosed in the Prospectus.

As at the end of the Reporting Period, save for the above use of proceeds, the Company has remaining proceeds of approximately HK$1,529.2 million and RMB122.8 million, which were unutilised and deposited in the designated bank account established by the Company. The Company organised the repatriation of funds in accordance with related documents and instructions of the State Administration of Foreign Exchange. As at 31 December 2017, total funds repatriated amounted to HK$1,190 million. Of which, funds repatriated through the Shijiazhuang Branch of China Minsheng Banking Corp., Ltd., the Baoding Branch of Bank of Communications Co., Ltd., the Baoding Branch of Agricultural Bank of China Limited, the Baoding Branch of Huaxia Bank Co., Limited, the Baoding Branch of China CITIC Bank Corporation Limited, the Baoding Branch of China Construction Bank Corporation and the Baoding High-tech Development Zone Sub-branch of Bank of China Limited totalled HK$350 million, HK$100 million, HK$100 million, HK$110 million, HK$110 million, HK$190 million and HK$230 million respectively. Among which, the Wusixi Road Branch of China Construction Bank Corporation settled a total of HK$190 million (equivalent to RMB158.536 million), the Shijiazhuang Branch of China Minsheng Banking Corp., Ltd. settled HK$130 million (equivalent to RMB108.264 million) and the Wusixi Road Branch of China Construction Bank Corporation applied RMB144 million for repayment of loans.

RESULTS AND DISTRIBUTIONS

The results of the Group for the year ended 31 December 2017 are set out in the Audited Consolidated Statement of Profit or Loss and Other Comprehensive income on page 106 of this report. The financial condition of the Group as at 31 December 2017 is set out in the Audited Consolidated Statement of Financial Position on page 107 to 108 of this report.

Pursuant to the Shareholders' resolution passed at the ninth extraordinary general meeting for 2017 held on 10 November 2017, the Company declared a special dividend as at 30 June 2017 of RMB500,000,000 to the Shareholders at that time. The dividend was paid on 29 November 2017. For details, please refer to note 14 to the financial statements.

PROPOSAL AND POLICY FOR THE DISTRIBUTION OF THE FINAL DIVIDEND

Final Dividend

The Board does not recommend the distribution of final dividend to the Shareholders for the year ended 31 December 2017.

FINAL DIVIDEND INCOME TAX APPLICABLE TO OVERSEAS SHAREHOLDERS

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

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

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

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

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

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

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

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

SHARE CAPITAL IN ISSUE

As at 31 December 2017, the total share capital of the Company was RMB1,733,334,000, divided into 1,733,334,000 Shares with a nominal value of RMB1.00 each. Details of the movement of the share capital of the Company during the Reporting Period are set out in note 33 to the financial statements.

On 5 January 2018, the Over-allotment Option stated in the Prospectus was partially exercised for 28,049,500 additional H Shares, representing approximately 6.47% of the offer shares initially offered for subscription under the global offering, to cover over-allocations in the international offering of the Company. As at the date of this report, the total share capital of the Company was RMB1,761,383,500, divided into 1,761,383,500 Shares with a nominal value of RMB1.00 each.

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

From the Listing Date to 31 December 2017, the Company and the Group did not repurchase, sale or redeem any of the Company's listed securities.

PROPERTY, PLANT AND EQUIPMENT

Details of property, plant and equipment of the Group for 2017 are set out in note 16 to the financial statements.

TAXATION

Details of the taxation of the Group for 2017 are set out in note 11 to the financial statements.

EVENTS AFTER THE BALANCE SHEET DATE

Details of the events after the balance sheet date of the Group are set out in note 46 to the financial statements.

CAPITAL RESERVE, SURPLUS RESERVE AND SPECIAL RESERVE

Details of capital reserve, surplus reserve and special reserve of the Group for 2017 are set out in note 34 to the financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2017, the distributable reserves (undistributed profits) of the Company amounted to RMB606.27 million.

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

There is no difference between the net assets as at the end of 2017 calculated by the Group based on the PRC accounting standards and the IFRS. The distributable reserve of the Company as at 31 December 2017 is set out in note 47 to the financial statements.

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

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2017, total sales to the five largest customers of the Company accounted for approximately 7.84% of the total revenue for the year, while the total sales to the largest customer accounted for approximately 2.08% of the total revenue for the year.

For the year ended 31 December 2017, the total purchase from the five largest suppliers of the Company accounted for approximately 2.85% of the cost of sales for the year, while the total purchase from the largest supplier accounted for approximately 0.73% of the cost of sales for the year.

During 2017, none of the Directors, their close associates or, to the knowledge of the Directors, any Shareholders of the Company holding more than 5% of the issued share capital of the Company had any interest in any of the five largest customers or suppliers of the Group.

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

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

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

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

EMPLOYEES

Employees are the key to the Group's sustainable development. For details of the Group's employees, please refer to "Directors, Supervisors, Senior Management and Employees – Staff Information" on page 97.

BANK LOANS AND OTHER BORROWINGS

Details of bank loans and other borrowings of the Group as at 31 December 2017 are set out in note 32 to the financial statements.

ENTRUSTED DEPOSITS AND OVERDUE TIME DEPOSITS

As at 31 December 2017, the Group had neither entrusted deposits in financial institutions in the PRC nor had it failed to collect any time deposits upon maturity.

EXTERNAL DONATION

In 2017, the Company donated a total of RMB0.22 million to local charities and governments of impoverished counties.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Set out below are details of the Directors, Supervisors and senior management of the Company in 2017:

Name	Position in the Company	Date of Appointment
Directors		
Executive Directors		
Mr. Li Baozhong	Chairman and Executive Director	25 October 2010
Mr. Shang Jinfeng	Executive Director and President	31 March 2017
Ms. Liu Shuzhen	Executive Director, Vice President and Chief Economic Officer	20 December 2013
Mr. Liu Yongjian	Executive Director and Vice President	20 December 2013
Non-executive Directors		
Mr. Li Baoyuan	Honorary Chairman and Non-executive Director	26 October 1997
Mr. Cao Qingshe	Vice Chairman and Non-executive Director	25 October 2010
Independent Non-executive Directors		
Mr. Xiao Xuwen	Independent Non-executive Director	15 December 2017
Ms. Shen Lifeng	Independent Non-executive Director	15 December 2017
Ms. Chen Xin	Independent Non-executive Director	15 December 2017
Mr. Chan Ngai Sang Kenny	Independent Non-executive Director	15 December 2017
Supervisors		
Mr. Mao Yuanli	Chairman of the Board of Supervisors and Shareholder Supervisor	31 March 2017
Mr. Liu Jingqiao	Employee Supervisor	31 March 2017
Ms. Feng Xiujian	Shareholder Supervisor	23 January 2013
Mr. Yue Jianming	Employee Supervisor	31 March 2017
Mr. Wang Feng	Shareholder Supervisor	31 March 2017
Senior Management		
Mr. Shang Jinfeng	Executive Director and President	31 March 2017
Ms. Liu Shuzhen	Executive Director, Vice President and Chief Economic Officer	25 October 2010
Mr. Liu Yongjian	Executive Director and Vice President	17 January 2008
Mr. Gao Qiuli	Vice President and Chief Engineer	22 July 2001
Mr. Zhao Wensheng	Chief Accountant and Director of Finance	23 January 2013
Mr. Li Wutie	Board Secretary and Assistant to President	31 March 2017

CHANGE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

On 26 March 2018, as nominated by the Board of Supervisors, Mr. Yu Xuefeng was proposed to be elected as a supervisor of the first session of the Board of Supervisors, for a term commencing from the date of approval at the general meeting to the expiration of the term of the current session of the Board of Supervisors. The resignation of Mr. Mao Yuanli as a supervisor and the chairman of the first session of the Board of Supervisors shall be effective from the commencement of the term of office of Mr. Yu Xuefeng.

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

BIOGRAPHIES OF THE DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Biographies of the Directors, Supervisors and senior management of the Company are set out on page 82 to page 96 of this report.

SERVICE CONTRACTS OF THE DIRECTORS AND SUPERVISORS

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

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

REMUNERATION OF THE DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

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

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

INTERESTS OF DIRECTORS AND SUPERVISORS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

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

INTERESTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT IN COMPETING BUSINESSES

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

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

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

As at 31 December 2017, save as disclosed in "Directors, Supervisors, Senior Management and Employees" in this report, none of the Directors, Supervisors and Chief Executives of the Company had any interests and/or short positions in Shares, underlying Shares and debentures of the Company or its associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he has taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out under Appendix 10 to the Listing Rules ("Model Code") to be notified to the Company and the Stock Exchange.

RIGHTS OF DIRECTORS AND SUPERVISORS TO ACQUIRE SHARES OR DEBENTURES

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

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

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

INSURANCE OF DIRECTORS

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

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

For details of shareholding of substantial shareholders in the Company, please refer to "Changes in Share Capital and Information of Shareholders – Interests and Short positions of Substantial Shareholders in the Shares and Underlying Shares of the Company" on page 60 to page 62.

PRE-EMPTIVE RIGHT AND SHARE OPTION ARRANGEMENTS

During 2017, the Company had no pre-emptive right and share option arrangements. There are no specific provisions under the PRC laws or the Articles of Association of the Company in relation to pre-emptive rights.

COMPLIANCE WITH THE NON-COMPETITION UNDERTAKINGS BY THE CONTROLLING SHAREHOLDERS

The Company received the confirmation letters from Mr. Li Baoyuan, Zhongru Investment and Qianbao Investment, confirming that, in 2017, Mr. Li Baoyuan, Zhongru Investment and Qianbao Investment have fully complied with all undertakings given by them to the Company under the non-competition undertakings.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the knowledge of the Directors of the Company, as at the Latest Practicable Date, public Shareholders held approximately 26.2% of the Shares in issue of the Company, which was in compliance with the public float requirements under Rules 8.08(1)(a) and (b) of the Hong Kong Listing Rules. For details, please refer to the Prospectus and the announcement of the Company dated 8 January 2018 in relation to the partial exercise of the Over-allotment Option.

NON-EXEMPT CONTINUING CONNECTED TRANSACTION

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

Labor Subcontract Framework Agreement

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

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

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

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

During the Reporting Period, the waiver approved by the Stock Exchange for the total subcontract fees of the connected transaction was capped at RMB2,000 million for 2017. The actual total transaction amount under the above agreement between the Group and Baoding Tianli was RMB1,918 million for 2017.

Confirmation by Independent Non-executive Directors

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

Auditor's Letter

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

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

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

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

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

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

RELATED PARTY TRANSACTIONS

During the Reporting Period, the Group entered into certain transactions with parties regarded as "related parties" under the applicable accounting standards. Details of related party transactions entered into by the Group during the Reporting Period are set out in note 42 to the financial statements. Save as disclosed in the "Report of the Board of Directors-Connected Transactions" of this report, the related party transactions as disclosed in note 42 do not constitute connected transactions or are exempt from the reporting, announcement and shareholders' approval requirements under the Listing Rules.

Ernst & Young and Ernst & Young Hua Ming LLP have audited the 2017 annual financial report of the Company and issued a standard unqualified auditor report, indicating that the 2017 annual financial report prepared by the Company has given a fair view of the financial position and operating results of the Company.

AUDIT COMMITTEE

The Audit Committee of the Board has reviewed the annual results and annual report of the Company for 2017 and the audited consolidated financial statements for the year ended 31 December 2017 prepared under the IFRSs.

ACCOUNTING POLICY

The critical accounting policies adopted by the Company in the preparation of the audited consolidated financial statements for 2017 are the same as those adopted for the audited consolidated financial statements for the year ended 31 December 2016.

AUDITOR

Zhongxingcai Guanghua Certified Public Accountant LLP was the auditor of the Company for the annual financial statements for 2015 and 2016 under the CASBE.

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

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

In March 2018, the Board proposed to appoint Ernst & Young as the auditor of the Company for 2018 under the IFRSs and Ernst & Young Hua Ming LLP as the auditor of the Company for the audit of the annual financial report for 2018 under the CASBE for a term commencing from the date of conclusion of the 2017 general meeting to the date of conclusion of the 2018 general meeting. The proposed appointments shall become effective upon approval at the 2017 general meeting of the Company.

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

REPORT OF BOARD OF SUPERVISORS

In 2017, the Board of Supervisors of the Company adhered to the principle of good faith, diligently performed its supervisory duties and effectively safeguarded the legitimate rights and interests of the Company, the Shareholders and employees based on the principle of accountability to all Shareholders of the Company, in strict compliance with relevant rules and regulations such as the Company Law, the Articles of Association and the Rules of Procedure of the Board of Supervisors. The work report of the Board of Supervisors is as follows:

1. MEETINGS

On 31 March 2017, the first meeting of the first session of the Board of Supervisors was convened onsite at the headquarters of the Company by the Board of Supervisors of the Company. 5 Supervisors were entitled to attend the meeting and 5 Supervisors were present. The procedures for convening and holding the meeting were in compliance with the provisions of the Articles of Association and the Rules of Procedure of the Board of Supervisors. The meeting considered and approved the "Resolution on Election of Chairman of the First Session of the Board of Supervisors of Hebei Construction Group Corporation Limited".

On 5 June 2017, the first meeting of the first session of the Board of Supervisors was convened onsite at the headquarters of the Company by the Board of Supervisors of the Company. 5 Supervisors were entitled to attend the meeting and 5 Supervisors were present. The procedures for convening and holding the meeting were in compliance with the provisions of the Articles of Association and the Rules of Procedure of the Board of Supervisors. The meeting considered and approved the "Resolution on Review of the Rules of Procedure of the Board of Supervisors (Draft) Applicable after Overseas Public Offering of Shares and Listing of the Company".

2. ATTENDANCE OF IMPORTANT MEETINGS

In 2017, the Supervisors attended 10 general meetings as required and were present at 22 Board meetings as non-voting delegates. By attending these important meetings, the Supervisors not only developed insights into the operation and management of the Company, but also actively participated in the consideration and discussion of resolutions and put forward their opinions and suggestions in a responsible manner, thus effectively supervised the procedures for convening these meetings and the discussion of proposals.

3. ROUTINE INSPECTIONS AND RESEARCHES

In 2017, the Board of Supervisors continually monitored the compliance of the Company's operation to ensure that the internal operation was in line with regulations and listing requirements.

4. INDEPENDENT OPINIONS AND SPECIAL EXPLANATIONS

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

(2) By communicating with the accounting firms in charge of the audit and review services for the Company, the Board of Supervisors examined the Company's financial statements, considered its periodic reports and the audit report of the accounting firm, regularly listened to the report of the internal audit department of the Company on the progress of internal audit work, and carried out effective supervision and inspection on the Company's financial management and operation through on-site inspection, research, etc. The Board of Supervisors was of the view that the Company had a sound financial system, regulated management practices and reasonable spending of fees during 2017. Ernst & Young and Ernst & Young Hua Ming LLP have audited the 2017 annual financial report of the Company and issued a standard unqualified auditor report. They are of the view that the 2017 annual financial report prepared by the Company has given a fair view of the financial position and operating results of the Company.

(3) The Board of Supervisors monitored the utilization of the proceeds by the Company. It was of the view that the Company was able to manage and utilize the proceeds in accordance with national laws and regulations as well as the commitments made in the Prospectus. The Board of Supervisors will continue to oversee and inspect the utilization of the proceeds.

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

(5) The Board of Supervisors made a special explanation of the Company's internal control. It was of the view that in 2017, the internal control system of the Company underwent continuous enhancement, the evaluation of the internal control was effectively implemented and the internal control continued to improve as a whole, hence it was able to provide a reasonable assurance regarding the achievement of the internal control objective.

SIGNIFICANT EVENTS

CONVENING THE 2017 ANNUAL GENERAL MEETING

The 2017 annual general meeting of the Company will be convened at 9:00 a.m. on Monday, 25 June 2018 at No. 329 Wusixi Road, Jingxiu District, Baoding City, Hebei Province, the PRC. The notice and circular of convening the 2017 annual general meeting will be despatched in due course.

CLOSURE OF REGISTER OF MEMBERS

In order to ascertain the entitlements of the Shareholders to attend and vote at the 2017 annual general meeting, the register of members of the Company will be closed from Saturday, 26 May 2018 to Monday, 25 June 2018 (both days inclusive), during which period no transfer of Shares of the Company will be effected. To be eligible to attend and vote at the 2017 annual general meeting, all properly executed share transfer documents accompanied by the relevant share certificates must be lodged with the Company's H Share Registrar in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration by holders of H Shares no later than 4:30 p.m. on Friday, 25 May 2018.

MAJOR LITIGATION, ARBITRATION AND ISSUES GENERALLY QUESTIONED BY THE MEDIA

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

MISAPPROPRIATION OF FUNDS AND SETTLEMENT PROGRESS DURING THE REPORTING PERIOD

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

BANKRUPTCY AND RESTRUCTURING

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

TRANSACTIONS OF ASSETS AND MERGERS OF ENTERPRISES

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

EQUITY INCENTIVES SCHEME OF THE COMPANY AND ITS IMPACT

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

MATERIAL CONTRACTS

During the Reporting Period, the Company entered into the following material contracts with the controlling shareholders and their subsidiaries, details of which were set out in the Prospectus:

(1) the reorganization agreement dated 5 January 2017 entered into between the Company, Zhongru Investment, Qianbao Investment and Zhongming Zhiye in relation to the reorganization of the Group;

(2) the underwriting agreement dated 4 December 2017 relating to the Hong Kong public offering of the Company and entered into by, among others, the Company, the controlling shareholders and the Hong Kong underwriters as set out in the Prospectus; and

(3) the underwriting agreement dated 9 December 2017 relating to the international public offering of the Company and entered into by, among others, the Company, the controlling shareholders and the international underwriters as set out in the Prospectus.

Save as disclosed above and disclosed in "Report of the Directors – Connected Transactions" in this report, the Company or any of its subsidiaries had not entered into any material contracts with the controlling shareholders or any of their subsidiaries other than the Group, and the Group did not have any material service contracts with the controlling shareholders or any of their subsidiaries other than the Group.

EQUITY RIGHTS HELD IN OTHER LISTED COMPANIES

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

DEALINGS IN THE SHARES OF OTHER LISTED COMPANIES

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

EXPOSURE TO RISKS OF SUSPENSION AND TERMINATION OF LISTING

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

SIGNIFICANT SUBSEQUENT EVENTS

On 5 January 2018, the Over-allotment Option stated in the Prospectus was partially exercised for 28,049,500 additional H Shares, representing approximately 6.47% of the offer shares initially offered for subscription under the global offering, to cover over-allocations in the international offering of the Company. As at the Latest Practicable Date, the total share capital of the Company was RMB1,761,383,500, divided into 1,761,383,500 Shares with a nominal value of RMB1.00 each.

The revised Articles of Association, which were passed and adopted by the Company on 10 November 2017, came into effect on 12 January 2018.

Save as disclosed in this report, from 1 January 2018 to the Latest Practicable Date, there were no significant subsequent events.

CHANGES IN SHARE CAPITAL AND INFORMATION OF SHAREHOLDERS

SHARE CAPITAL

The overseas listed foreign shares of the Company (H Shares) were listed on the Main Board of the Stock Exchange on 15 December 2017, with a total share capital of 1,733,334,000 Shares. On 5 January 2018, the over-allotment options as stated in the Prospectus were partially exercised for the allotment of 28,049,500 H Shares. As a result, the share capital increased to 1,761,383,500 Shares.

As at the Latest Practicable Date, the registered share capital of the Company was RMB1,761,383,500, divided into 1,761,383,500 ordinary Shares with a nominal value of RMB1.00.

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

As at 31 December 2017, the interests and short positions of the Directors, the Supervisors and chief executives of the Company in the Shares, underlying Shares or debentures of the Company or its associated corporations (as defined in Part XV of the SFO (Chapter 571 of the Laws of Hong Kong)) which were (i) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (ii) recorded in the register kept under Section 352 of the SFO; or (iii) required to be notified to the Company and the Stock Exchange pursuant to the Model Code are as follows:

IN THE COMPANY

Name of the Directors, Supervisors and Chief Executives	Capacity	Number of Shares interested	Class of Shares	Nature of interest	Approximate percentage of shareholding in the relevant class of Shares as at 31 December 2017	Approximate percentage of shareholding in the total issued share capital of the Company as at 31 December 2017
Mr. Li Baoyuan[1]	Interest in controlled corporation	1,300,000,000	Domestic Shares	Long position	100%	75%

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

2. Mr. Li Baoyuan directly holds 90% of the equity interests in Qianbao Investment, which is deemed to be directly and indirectly holding 100% of the equity interests in Zhongru Investment and directly holding 7.5% of the equity interests in the Company. Therefore, Mr. Li Baoyuan is deemed to be interested in 100% of the equity interests, or 231,000,000 shares, in Zhongru Investment and thus be interested in the 1,300,000,000 Shares directly or indirectly held by Qianbao Investment for the purpose of Part XV of the SFO.

In Associated Corporations of the Company

Name of the Directors, Supervisors and Chief Executives	Name of associated corporation	Capacity	Number and class of shares interested	Nature of interest	Approximate percentage of issued share capital of associate corporation as at 31 December 2017
Mr. Li Baoyuan[1]	Qianbao Investment[2]	Beneficial owner	45,000,000 shares	Long position	90.00%
	Zhongru Investment[3]	Interest in controlled corporation	231,000,000 shares	Long position	100.00%
Mr. Li Baozhong	Qianbao Investment[2]	Beneficial owner	5,000,000 shares	Long position	10.00%
Mr. Cao Qingshe	Zhongru Investment[3]	Beneficial owner	5,000,000 shares	Long position	2.16%
Mr. Shang Jinfeng	Zhongru Investment[3]	Beneficial owner	1,000,000 shares	Long position	0.43%
Ms. Liu Shuzhen	Zhongru Investment[3]	Beneficial owner	2,000,000 shares	Long position	0.86%
Mr. Liu Yongjian	Zhongru Investment[3]	Beneficial owner	2,000,000 shares	Long position	0.86%
Mr. Mao Yuanli	Zhongru Investment[3]	Beneficial Owner	997,920 Shares	Long Position	0.43%
Mr. Liu Jingqiao	Zhongru Investment[3]	Beneficial Owner	498,960 Shares	Long Position	0.22%
Mr. Yue Jianming	Zhongru Investment[3]	Beneficial Owner	498,960 Shares	Long Position	0.22%

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

2. The total share capital of Qianbao Investment is 50,000,000 shares.

3. The total share capital of Zhongru Investment is 231,000,000 shares.

Save as disclosed above, so far as any Directors, Supervisors or chief executives of the Company are aware, as at 31 December 2017, none of the Directors, Supervisors or chief executives of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (as defined in Part XV of the SFO) which were (i) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (ii) recorded in the register kept under Section 352 of the SFO; or (iii) required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

RIGHTS OF DIRECTORS AND SUPERVISORS TO ACQUIRE SHARES OR DEBENTURES

As at 31 December 2017, none of the Directors or Supervisors or their respective spouses or children under the age of 18 was granted any rights to acquire benefits by means of acquisition of Shares or debentures of the Company, nor exercised any such rights. The Company or any of its subsidiaries did not make any arrangement to enable the Directors or their respective spouses or children under the age of 18 to acquire such rights from any other body corporate.

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

As at 31 December 2017, the following persons (not being the Directors, Supervisors or chief executives of the Company) had interests or short positions in the Shares or underlying Shares of the Company which would be required to be recorded in the register under Section 336 of the SFO:

Name of Shareholder	Capacity	Number of Shares interested	Class of Shares	Nature of interest	Approximate percentage of shareholding in the relevant class of Shares as at 31 December 2017	Approximate percentage of shareholding in total issued share capital of the Company as at 31 December 2017
Zhongru Investment	Beneficial owner	1,202,500,000	Domestic Shares	Long position	92.50%	69.37%
Qianbao Investment[1]	Interest in controlled corporation	1,202,500,000	Domestic Shares	Long position	92.50%	69.37%
	Beneficial owner	97,500,000	Domestic Shares	Long position	7.50%	5.62%
China Create Capital Limited	Beneficial owner	69,260,000	H Shares	Long position	15.98%	4.00%
China International Capital Corporation Hong Kong Securities Limited	Beneficial owner	74,569,000	H Shares	Long position	17.21%	4.30%
		65,000,000	H Shares	Short position	15.00%	3.75%
China International Capital Corporation (Hong Kong) Limited [2]	Interest in controlled corporation	74,569,000	H Shares	Long position	17.21%	4.30%
		65,000,000	H Shares	Short position	15.00%	3.75%
China International Capital Corporation Limited [2]	Interest in controlled corporation	74,569,000	H Shares	Long position	17.21%	4.30%
		65,000,000	H Shares	Short position	15.00%	3.75%
Hwabao Trust Co., Ltd	Trustee	79,294,500	H Shares	Long position	18.30%	4.57%

Name of Shareholder	Capacity	Number of Shares interested	Class of Shares	Nature of interest	Approximate percentage of shareholding in the relevant class of Shares as at 31 December 2017	Approximate percentage of shareholding in total issued share capital of the Company as at 31 December 2017
Juli Group	Beneficial owner	68,107,000	H Shares	Long position	15.72%	3.93%
PanHou Capital Management Limited	Beneficial owner	41,704,000	H Shares	Long position	9.62%	2.41%
State Frontier Limited	Beneficial owner	41,793,500	H Shares	Long position	9.64%	2.41%
Sino Wealthy Limited [3]	Beneficial owner	24,887,500	H Shares	Long position	5.74%	1.44%
Rentian Technology Holdings Limited [3]	Interest in controlled corporation	24,887,500	H Shares	Long position	5.74%	1.44%
Swift Fortune Investments Limited [4]	Beneficial owner	24,887,500	H Shares	Long position	5.74%	1.44%
Carnival Group International Holdings Limited [4]	Interest in controlled corporation	24,887,500	H Shares	Long position	5.74%	1.44%
King Pak Fu [5]	Interest in controlled corporation	49,775,000	H Shares	Long position	11.49%	2.87%
Tsui Lai Ping	Beneficial owner	22,421,500	H Shares	Long position	5.17%	1.29%
Wang Xu	Beneficial owner	47,398,500	H Shares	Long position	10.94%	2.73%
Yang Jianbo	Beneficial owner	32,583,500	H Shares	Long position	7.52%	1.88%

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

2. China International Capital Corporation (Hong Kong) Limited ("CICC (HK)") directly holds 100% of the equity interests in China International Capital Corporation Hong Kong Securities Limited ("CICC HK Securities"). China International Capital Corporation Limited ("CICC") indirectly holds 100% of the equity interests in CICC (HK), hence CICC and CICC (HK) are deemed to be interested in the H Shares held by CICC HK Securities.

3. Rentian Technology Holdings Limited ("Rentian Technology") indirectly holds 100% of the equity interests in Sino Wealthy Limited ("Sino Wealthy"), hence Rentian Technology is deemed to be interested in the H Shares held by Sino Wealthy.

4. Carnival Group International Holdings Limited ("Carnival") directly holds 100% of the equity interests in Swift Fortune Investments Limited ("Swift Fortune"), hence Carnival is deemed to be interested in the H Shares held by Swift Fortune.

5. Mr. King Pak Fu indirectly holds 100% of the equity interests in Sino Wealthy and Swift Fortune through his indirect shareholdings in Rentian Technology and Carnival, hence he is deemed to be interested in an aggregate of 49,775,000 H Shares.

CORPORATE GOVERNANCE REPORT

The Board is pleased to present the corporate governance report of the Company for the period from the Listing Date to 31 December 2017 (the "Relevant Period").

Throughout the Relevant Period, the Company has complied with the code provisions (the "Code Provisions") of the Corporate Governance Code (the "CG Code") set out in Appendix 14 to the Listing Rules. It has proposed corporate governance rules and recommendations with respect to Board composition, Board diversity policy, duties and procedures, remuneration structure of the Directors and senior management and appraisal of the Board, internal control and audit, joint company secretaries and communication between the Company and Shareholders.

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

CORPORATE GOVERNANCE PRACTICES

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

The H Shares of the Company commenced trading on the Stock Exchange with effect from 15 December 2017, therefore, the CG Code has been applicable to the Company since the Listing Date. The Board is of the view that the Company has adopted, applied and complied with the code provisions of the Corporate Governance Code contained in Appendix 14 of the Listing Rules since the Listing.

BOARD

Responsibilities

The Board is responsible for overall management and control of the Company. The Board's main roles are to provide leadership and to approve strategic policies and plans with a view to enhancing shareholder value. All Directors carry out their duties in good faith and in compliance with the applicable laws and regulations, and act in the interest of the Company and its Shareholders at all times.

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

The Board may make decisions on all major matters of the Company, including approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters.

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

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

BOARD COMPOSITION

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

Executive Directors

Mr. Li Baozhong [1]
Mr. Shang Jinfeng
Ms. Liu Shuzhen
Mr. Liu Yongjian

Non-executive Directors

Mr. Li Baoyuan[2]
Mr. Cao Qingshe

Independent Non-executive Directors

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

Notes:

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

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

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

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

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

Each of the independent non-executive Director has confirmed his independence pursuant to Rule 3.13 of the Listing Rules and the Company considers each of them to be independent.

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

INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

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

For the year ended 31 December 2017, all Directors have been given relevant guideline materials and attended training regarding the duties and responsibilities of the Directors, relevant laws and regulations applicable to the Directors, and the disclosure of interest and business obligations of the Group, including:

	Training program	Date	Organising party	Training hours
1.	Compliance training for Hong Kong listed companies	January 2018	Clifford Chance	1 hour
2.	Major domestic regulatory requirements of corporate governance and standardised operation of the three board committees	January 2018	Jia Yuan Law Offices	1 hour
3.	Compliance requirements of the directors and supervisors of listed companies and the recent regulatory environment in Hong Kong	November 2017	Hebert Smith Freehills	1 hour
4.	Training on responsibilities of directors, supervisors and senior management of Hong Kong listed companies and corporate compliance	June 2017	Clifford Chance	1 hour
5.	Training on listing compliance	January 2017	Clifford Chance	1 hour
6.	Training on connected transitions	January 2017	Clifford Chance	1 hour

CHAIRMAN AND PRESIDENT

The positions of the Chairman and the President are held separately. The role of Chairman is held by Mr. Li Baozhong, and the role of President is held by Mr. Shang Jinfeng. The Chairman provides leadership and governance for the Board so as to create the conditions required for effective performance of the Board as a whole and effective contribution by individual Director. He also ensures that the Board performs its responsibilities and all key and appropriate issues are discussed by the Board in a timely manner. The President has the delegated power to manage the Company and to oversee the activities of the Company on a day-to-day basis.

The division of responsibilities between the Chairman and President is clearly established and set out in writing.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

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

BOARD COMMITTEES

Audit Committee

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

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

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

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

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

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

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

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

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

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

As the Company was listed on the Stock Exchange on 15 December 2017, no Audit Committee meeting was held during the Relevant Period. However, up to the Latest Practicable Date, the Audit Committee held a meeting on 26 March 2018 to review the Group's financial results for the year ended 31 December 2017 for submission to the Board, to approve and review the internal control and risk management system of the Group and to oversee the audit process.

Nomination Committee

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

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

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

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

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

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

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

As the Company was listed on the Stock Exchange on 15 December 2017, no Nomination Committee meeting was held during the Relevant Period. However, up to the Latest Practicable Date, the Nomination Committee held a meeting on 26 March 2018 to review the structure, size and composition of the Board, assess the independence of independent non-executive Directors and the diversity of the Board.

Board Diversity Policy

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

The Company is committed to selecting the best candidates for the Board. The selection of candidates are based on a wide range of diversity perspectives, including but not limited to gender, age, cultural background and ethnicity, in addition to educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on the merit of the candidates and the contribution that they will bring to the Board.

Remuneration and Appraisal Committee

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

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

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

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

As the Company was listed on the Stock Exchange on 15 December 2017, no Nomination Committee meeting was held during the Relevant Period. However, up to the Latest Practicable Date, the Remuneration and Appraisal Committee held a meeting on 26 March 2018 to review and make recommendations to the Board on the policies of the remuneration of the Directors and senior management and other related matters.

CORPORATE GOVERNANCE FUNCTION

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

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

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

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

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

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

During the year ended 31 December 2017, the above corporate governance function was performed and executed by the Board and the Board has reviewed the Company's compliance with the CG Code.

BOARD MEETINGS AND BOARD COMMITTEE MEETINGS

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

As the Company was listed on the Stock Exchange on 15 December 2017, no Board meeting and Board Committee meetings were held during the Relevant Period. However, subsequent to the end of the Relevant Period and up to the Latest Practicable Date, the 2018 first regular meeting of the Board was held on 26 March 2018 to approve, among others, the annual results of the Group for the year ended 31 December 2017 and review the operation and compliance of the Company.

The Audit Committee, the Remuneration and Appraisal Committee and the Nomination Committee also held a meeting on 26 March 2018.

GENERAL MEETING

As the Company was listed on the Stock Exchange on 15 December 2017, no general meeting was held during the Relevant Period and up to the Latest Practicable Date.

COMPLIANCE WITH THE NON-COMPETITION UNDERTAKINGS

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

REMUNERATIONS OF THE SENIOR MANAGEMENT

Details of remunerations of the Directors are set out in note 9 to the financial statements. Remunerations paid to a total of three senior management (excluding the Directors) by bands for the year ended 31 December 2017 are set out below:

Remuneration bands	Number of individuals
RMB500,000 to RMB1,000,000	2
RMB200,000 to RMB500,000	1

SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted the Model Code as its own code of conduct for dealing in securities of the Company by the Directors. Based on specific enquiry made to all Directors, each of them has confirmed that he/she has complied with the required standards as set out in the Model Code for the period from the Listing Date to 31 December 2017.

The Company has also formulated and adopted the code of conduct for dealing in securities by the Supervisors and employees on terms no less exacting than the Model Code.

The Company is not aware of any non-compliance with the Model Code by the Directors, Supervisors or employees for the period ended 31 December 2017.

RISK MANAGEMENT AND INTERNAL CONTROLS

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

In particular, the Board acknowledges its responsibilities for overseeing the risk management and internal control system of the Group. It also supervises and inspects the works and the risk management and internal control of the Company through the Audit Committee, and reviews the effectiveness at least annually.

Based on the "Basic Standard of Corporate Internal Control" and its implementation guidelines, and with reference to the requirements of the SFC and the actual conditions of the Company, the Company formulated the "Internal Control Appraisal Management System of Hebei Construction Group 《河北建設集團內部控制評價管理制度》" and "Articles of the Risk Management Committee of Hebei Construction Group 《河北建設集團風控委員會章程》". This facilitated the establishment of a more comprehensive internal control and risk management system aiming at upgrading the operation management and risk management capabilities of the Company, promoting the sustainability of the Company and safeguarding the legal interest of the investors. The "internal control" of such systems refers to the business systems and operating processes of the Board, Board of Supervisors, management and all staff of the Company for attaining goals of internal control. Business systems under such systems include all individual business units of the Group managed with the top-down approach, such as the marketing system, human resources system and financial management system, as well as the wholly-owned subsidiaries, controlled subsidiaries, other subsidiaries and project groups under direct management. The Board of the Company is in charge of building and maintaining the internal control and risk management system. It has established the audit committee for reviewing the formulation and implementation of the internal control and risk management system. The management of the Company has established the risk management committee, which leads the internal control and risk management of the Company, while the supervision and audit department evaluates the construction and implementation of the internal control system. Based on the internal control and risk management system, the Company organises risk assessment on a yearly basis to collect information on risks for rectification. In 2017, the Company performed more relatively comprehensive risk assessment and internal control, which covered the headquarters and the subsidiaries of the Group. It also prepared the 2017 Risk and Internal Control Report. The Board and the senior management of the Company attach great importance to the problems and risks identified and carried out rectification and improvement, which ensured compliant and efficient business operation of the Company.

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

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

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

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

(iii) has communicated to all relevant staff regarding the requirement under the applicable laws and regulations.

During the Relevant Period, no person with knowledge of insider information was found using insider information to buy and sell the Company's shares.

JOINT COMPANY SECRETARIES

Mr. Li Wutie ("Mr. Li") and Ms. Wong Wai Ling ("Ms. Wong") were appointed as the joint company secretaries by the Board, effective from 15 December 2017.

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

Ms. Wong Wai Ling, the other joint company secretary of the Company, is the assistant vice president of SW Corporate Services Group Limited. She assists Mr. Li in his performance of duties as the joint company secretary of the Company. Ms. Wong's primary corporate contact person at the Company is Mr. Li.

For the year ended 31 December 2017, each of Mr. Li and Ms. Wong has taken no less than 15 hours of the relevant professional training on review of the Listing Rules and other compliance requirements.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements and annual report of the Company for the year ended 31 December 2017 in accordance with statutory requirements and applicable accounting standards.

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

The Audit Committee has reviewed and recommended to the Board to adopt the audited accounts for the year ended 31 December 2017. The Board is not aware of any material uncertainties relating to the events or conditions that may undermine the Company's ability to continue as a going concern.

The report of the independent auditor of the Company on its reporting responsibilities on the audited financial statements of the Group are set out in the independent auditors' report on page 104 to page 105.

AUDITORS

Ernst & Young has been appointed as the auditor of the Company for the year ended 31 December 2017. It shall retire at the 2018 annual general meeting and, being eligible, will offer itself for re-appointment. A resolution for the re-appointment of Ernst & Young as the auditor of the Company will be proposed at the 2018 annual general meeting.

The remuneration paid to Ernst & Young in respect of the audit services rendered for the year ended 31 December 2017 was RMB6.8 million. Ernst & Young did not provide any non-audit services to the Company for the year ended 31 December 2017.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

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

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

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

SHAREHOLDERS' RIGHTS

Convening Extraordinary General Meeting by Shareholders

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

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

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

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

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

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

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

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

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

PUTTING FORWARD PROPOSALS AT GENERAL MEETINGS

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

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

CONSTITUTIONAL DOCUMENTS

The following changes regarding the Articles of Association have taken place for the year ended 31 December 2017 and up to the Latest Practicable Date:

1. The new Articles of Association, which were passed and adopted by the Company on 5 June 2017, came into effect on 15 December 2017 (i.e., the Listing Date).

2. The revised Articles of Association, which were passed and adopted by the Company on 10 November 2017, came into effect on 12 January 2018.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

The table below sets forth certain information on the Directors:

Name	Age	Position	Major duties
Executive Directors			
Mr. Li Baozhong	48	Chairman of the Board and executive Director	Responsible for convening and chairing general meetings and Board meetings; Responsible for overall management of the Group and deciding major strategies and the development and investment plan of the Group
Mr. Shang Jinfeng	41	Executive Director and President	Participating in formulation of business plans, strategic and major decisions of the Group as a member of the Board; Deciding and guiding external affairs, major planning and auditing events and major business activities of the Company
Ms. Liu Shuzhen	54	Executive Director, vice President and Chief Economic Officer	Participating in formulation of business plans, strategic and major decisions of the Group as a member of the Board; Responsible for, among others, legal affairs, marketing, investment and risk control of the Group
Mr. Liu Yongjian	54	Executive Director and vice President	Participating in formulation of business plans, strategic and major decisions of the Group as a member of the Board; Responsible for, among others, production safety and risk control of the Group

Name	Age	Position	Major duties
Non-executive Directors			
Mr. Li Baoyuan	67	Honorary Chairman of the Board and non-executive Director	Responsible for convening and chairing general meetings and Board meetings; Participating in the formulation of business plans, strategic and major decisions of the Group as a member of the Board
Mr. Cao Qingshe	53	Vice Chairman of the Board and non-executive Director	Participating in formulation of business plans, strategic and major decisions of the Group as a member of the Board
Mr. Xiao Xuwen	65	Independent non-executive Director	Supervising and offering independent judgment to the Board and/or serving as chairman and/or member of certain committees of the Board
Ms. Shen Lifeng	53	Independent non-executive Director	Same as above
Ms. Chen Xin	35	Independent non-executive Director	Same as above
Mr. Chan Ngai Sang Kenny	54	Independent non-executive Director	Same as above

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

Name	Age	Position	Major duties
Mr. Mao Yuanli	60	Chairman of the Board of Supervisors and Shareholder Supervisor	Presiding over the Board of Supervisors and monitoring the operation risks and financial activities of the Company as well as the performance of the Directors and senior management
Mr. Liu Jingqiao	56	Employee Supervisor	Monitoring the operation and financial activities of the Company as well as the performance of the Directors and senior management
Ms. Feng Xiujian	40	Shareholder Supervisor	Same as above
Mr. Yue Jianming	45	Employee Supervisor	Same as above
Mr. Wang Feng	38	Shareholder Supervisor	Same as above

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

Name	Age	Position	Major duties
Mr. Shang Jinfeng, please refer to the above.			
Ms. Liu Shuzhen, please refer to the above.			
Mr. Liu Yongjian, please refer to the above.			
Mr. Gao Qiuli	60	Vice President and Chief Engineer	Responsible for, among others, technology quality and risk control of the Group
Mr. Zhao Wensheng	49	Chief Accountant and Director of Finance	Responsible for the overall financial and capital management of the Group
Mr. Li Wutie	31	Board Secretary and Assistant to the President	Assisting the President to deal with various affairs; Acting as the contact person of the Company with the Stock Exchange; Responsible for information disclosures and investor management as well as corporate governance affairs of the Company

DIRECTORS

Executive Directors

Mr. Li Baozhong (李寶忠), aged 48, is the Chairman of the Board and an executive Director of the Company since 22 December 2015. Mr. Li is also the chairman of the Nomination Committee and a member of the Remuneration and Appraisal Committee under the Board of the Company. Mr. Li also serves as the chairman of the board of directors of Zhongming Zhiye, a vice chairman of the board of directors of Zhongru Investment, an executive director and the general manager of Baoding Zhongcheng, a supervisor of Qianbao Investment and Guoxing Global Land Consolidation and Development Co., Ltd. (國興環球土地整理開發有限公司) and a director of Zhongcheng Real Estate, Baoding Tiane Real Estate Development Co., Ltd. (保定天鵝房地產開發有限公司), Baoding Mancheng Zhongbao Investment Co., Ltd. (保定市滿城區中寶投資有限公司), Bank of Baoding Co., Ltd. (保定銀行股份有限公司) and Zhongji United Investment Holdings Co., Ltd. (中冀聯合投資控股有限公司), respectively. Mr. Li is a vice president of Hebei Construction Industry Association and the president of Baoding Construction Industry Association. Mr. Li has over 25 years of experience in corporate management and in the construction engineering industry. His previous primary work experience includes: serving as a technician, a deputy project manager and the project manager of Work Zone I of the Fourth Branch of No. 1 Construction Engineering Company of Hebei Province from July 1992 to December 1996; a vice manager of the Fourth Branch of No. 1 Construction Engineering Company of Hebei Province from January 1997 to December 1997; the manager of the Fourth Branch of the Company from January 1998 to December 2010; and a vice Chairman of the Board and a vice President of the Company from December 2010 to December 2015. Mr. Li was elected as a representative of the thirteenth session of the National People's Congress in March 2018.

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

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

Mr. Shang Jinfeng (商金峰), aged 41, is an executive Director and the President of the Company since 31 March 2017. Mr. Shang is also a member of the Nomination Committee and the Remuneration and Appraisal Committee under the Board of the Company. Mr. Shang also serves as a director of HCG Tianchen Construction Engineering and Hebei Lvjian Investment Company (河北綠建投資股份公司), and the general manager of Baoding Mancheng District Zhongbao Investment Co., Ltd. (保定市滿城區中寶投資有限公司). Mr. Shang has over 20 years of experience in the construction engineering industry and corporate management. His previous primary work experience includes: serving as a technician, the person in charge of technology and the project manager of HCG Tianchen Construction Engineering from July 1998 to October 2008; a vice general manager in charge of production of HCG Tianchen Construction Engineering from March 2008 to December 2010; a standing vice general manager and the general manager of HCG Tianchen Construction Engineering from December 2010 to January 2017; and a vice President and a standing vice President of the Company from December 2013 to March 2017.

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

Ms. Liu Shuzhen (劉淑珍), aged 54, is an executive Director of the Company since 20 December 2013 and a vice President and the Chief Economic Officer of the Company since 25 October 2010. Ms. Liu also serves as a director of HCG Zhuocheng Road and Bridge Engineering, Zhongcheng Real Estate, Baoding Tiane Real Estate Development Co., Ltd. (保定天鵝房地產開發有限公司), Hebei Zhongru Software Technology Co., Ltd (河北中儒軟件科技股份有限公司), Hebei Lvjian Investment Company (河北綠建投資股份公司) and Baoding Taihang Heyi Cement Co., Ltd. (保定太行和益水泥有限公司), respectively. Ms. Liu has more than 28 years of experience in corporate management. Her previous primary work experience includes: serving as a teacher of the Vocational Education Centre of No. 1 Construction Engineering Company of Hebei Province from July 1988 to May 1990; the person in charge of measurement affairs of the Overall Quality Office of No. 1 Construction Engineering Company of Hebei Province from May 1990 to December 1992; the section director in charge of corporate management of the 20th work zone of No. 1 Construction Engineering Company of Hebei Province from January 1993 to December 1997; a vice manager in charge of corporate management of HCG Tianchen Construction Engineering from December 1997 to January 2001; a vice general manager in charge of corporate management and the chief economic officer of HCG Tianchen Construction Engineering from January 2001 to April 2005; and the general manager of HCG Tianchen Construction Engineering from January 2005 to October 2010.

Ms. Liu obtained a bachelor's degree of science in mechanics from the Mathematics Department of Hebei University in Baoding, the PRC in July 1988 and a master's degree of engineering in structural engineering from Tianjin University in Tianjin, the PRC in March 2003. Ms. Liu was awarded the qualification of national certified constructor (in construction engineering major) by the Ministry of Construction of the PRC in January 2008 and the title of senior engineer by the Qualification Reform Leading Group Office of Hebei Province (河北省職稱改革領導小組辦公室) in December 2008. Ms. Liu received the 2005, 2006, 2007 and 2010 "Excellent Corporate Manager in Construction Industry of Hebei Province" in 2006, 2007, 2008 and 2011, respectively, and the "2014 Excellent Management of Engineering, Economy and Technology in Baoding (保定市2014年度優秀工程經濟技術管理工作者)" in 2015. Ms. Liu is currently the vice president of China Tendering & Bidding Association (中國招投標協會) and a council member of the China Concession Specialized Committee (中國招投標協會特許經營專業委員會).

Mr. Liu Yongjian (劉永建), aged 54, is an executive Director of the Company since 20 December 2013 and a vice President of the Company since 17 January 2008. Mr. Liu also serves as a director of HCG Decoration Engineering and Hebei Zhiping Construction Equipment Leasing Co., Ltd. (河北治平建築設備租賃有限公司), respectively. Mr. Liu is also an external postgraduate tutor in the Institute of Urban and Rural Construction of Agricultural University of Hebei and an adjunct professor at the College of Civil Engineering and Architecture of Hebei University. Mr. Liu has more over 33 years of experience in the construction engineering industry and corporate management. His previous primary work experience includes: serving as a technician, quality inspection technician of Engineering Division I of No. 1 Construction Engineering Company of Hebei Province and project manager of the Company from July 1985 to December 2000; a vice manager and the manager of the First Branch of the Company from January 2001 to December 2010; and a vice President (non-standing) of the Company from January 2008 to December 2010.

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

Non-Executive Directors

Mr. Li Baoyuan (李寶元), aged 67, is the honorary Chairman of the Board and a non-executive Director of the Company since 22 December 2015. Mr. Li is also a member of the Audit Committee under the Board of the Company. Mr. Li also serves as the chairman of the board of directors of Zhongru Investment and Hebei Baocang Expressway Co., Ltd. (河北保滄高速公路有限公司), an executive director and the general manager of Qianbao Investment, and a director of Baoding Taihang Heyi Cement Co., Ltd. (保定太行和益水泥有限公司) and Zhongming Zhiye. Mr. Li is a vice president of China Construction Industry Association. Mr. Li has over 47 years of experience in corporate management and the construction engineering industry. His previous primary work experience includes: serving as a trainee, budget planner, vice subsection chief of the planning subsection of Division I, a deputy head of Team 2 of Division I and the head of Team 2 of Division I of No. 1 Construction Engineering Company of Hebei Province from 1970 to 1984; the head of Team 2 of Division I, the head of the 101 Engineering Team (formerly Team 2 of Division I), the director of Working Area I, the manager and an assistant to the manager of the Fourth Branch of No. 1 Construction Engineering Company of Hebei Province from October 1986 to September 1991; a vice manager of the No. 1 Construction Engineering Company of Hebei Province from September 1991 to August 1995; the general manager and secretary to the Party Committee of No. 1 Construction Engineering Company of Hebei Province from August 1995 to October 1997; the Chairman of the Board from October 1997 to December 2015 and the honorary Chairman of the Board and a non-executive Director of the Company since December 2015; the President of the Company from October 1997 to January 2006; and the secretary to the Party Committee of the Company since October 1997. Mr. Li was elected as a representative of the ninth, tenth and eleventh sessions of the National People's Congress from March 1998 to March 2013.

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

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

Mr. Cao Qingshe (曹清社), aged 53, is a vice Chairman of the Board and a non-executive Director of the Company since 31 March 2017. Mr. Cao is also a member of the Audit Committee under the Board of the Company. Mr. Cao also serves as an executive director and the general manager of Zhongming Zhiye, the general manager of Zhongru Investment, and a director of Zhongcheng Real Estate, Shenxian Mountain Tourism Development Co., Ltd. (神仙山旅遊發展有限公司) and Feihu Tourism Development Co., Ltd. (飛狐旅遊發展有限公司), respectively. Mr. Cao has over 31 years of experience in corporate management and the construction engineering industry. His previous primary work experience includes: serving as a vice manager and the manager of the Instalment Branch of No. 1 Construction Engineering Company of Hebei Province (河北省第一建築工程公司安裝分公司) from September 1996 to December 2004; a vice President of the Company from June 2001 to December 2004; a standing vice President of the Company from January 2005 to December 2005; and the President of the Company from January 2006 to March 2017.

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

Independent Non-Executive Directors

Mr. Xiao Xuwen (肖緒文), aged 65, is an independent non-executive Director of the Company since 15 December 2017. Mr. Xiao also serves as consulting chief engineer of the technology center of China State Construction Engineering Corporation Ltd (中國建築股份有限公司) (a listed Company on the Shanghai Stock Exchange, stock code: 601668). Mr. Xiao is a vice president of China Construction Industry Association, a standing vice president of China Construction Industry Association Branch of Green Building and Construction (中國建築業協會綠色建造與施工分會) and a standing vice head of the Construction Engineering Technology Expert Committee of China Construction Industry Association (中國建築業協會建築工程技術專家委員會). Mr. Xiao has more than 40 years of experience in the construction engineering industry (especially specializing in research and development of construction engineering technologies) and corporate management. His previous primary work experience includes: consecutively serving in various positions of China Construction Eighth Division (中國建築第八工程局) from May 1983 to January 2008, including as a technician, a designer, the head of the Design Institute, a vice chief engineer (at division level) and the chief engineer, and serving as the general manager of the Technology Department of China State Construction Engineering Corporation Ltd from January 2008 to June 2012.

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

Ms. Shen Lifeng (申麗鳳), aged 52, is an independent non-executive Director of the Company since 15 December 2017. Ms. Shen is also the chairman of the Audit Committee and a member of the Nomination Committee and the Remuneration and Appraisal Committee under the Board of the Company. Ms. Shen also serves as chief director in charge of PRC businesses of Chong & Partners LLP. Ms. Shen is a standing committee member of the Federation of Industry and Commerce of Hebei Province (河北省工商業聯合會) and a vice president of the General Chamber of Commerce of Hebei Province (河北省總商會). Her term ended on 31 December 2017. Ms. Shen is a founding arbitrator of the Arbitration Committees of Shijiazhuang and Langfang, respectively. Ms. Shen has more than 28 years of experience in law, investment and financing management and corporate management. Her previous primary work experience includes: serving as a teaching assistant in the Department of Law of Hebei University from September 1987 to October 1989; the director of the legal department, an assistant to the general manager and a vice general manager of Hebei Textiles Import and Export (Group) Company (河北省紡織品進出口(集團)公司) from October 1989 to May 2006; a standing vice general manager and a member of the discipline-inspection committee of Shenglun International Industrial Group Co., Ltd. (聖侖國際實業集團股份有限公司), responsible for the reorganization and restructuring of the SOE from May 2006 to December 2007; and an executive director and the general manager of Shaanxi Kunzheng Mining Co., Ltd. (陝西坤正礦業股份有限公司) from September 2008 to August 2014.

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

Ms. Chen Xin (陳欣), aged 35, is an independent non-executive Director of the Company since 15 December 2017. Ms. Chen is also the chairman of the Remuneration and Appraisal Committee and a member of the Audit Committee and the Nomination Committee and under the Board of the Company. Ms. Chen is currently the director of human resources consultant of Talentpool (HK) Limited. Ms. Chen has more than 10 years of experience in corporate management. Her previous primary work experience includes: serving as a financial advisor and accountant assistant in the financial department, and a deputy manager of the personnel unit in administration & personnel department of COSCO (HK) Industry & Trade Holdings Ltd. from February 2008 to February 2016; and the head of HR and administration department of Zhongrong International Securities Co., Ltd. from February 2016 to May 2016. Ms. Chen was the Hong Kong director of human resources of Fortune Fountain Capital Limited in 2017.

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

Mr. Chan Ngai Sang Kenny (陳毅生), aged 54, is an independent non-executive Director of the Company since 15 December 2017. Mr. Chan is also a member of the Audit Committee and the Nomination Committee and Remuneration and Appraisal Committee of the Board of the Company. Prior to joining the Company, Mr. Chan worked at Ernst & Young from July 1989 to March 1997. Since April 1997 to date, he has served as the principal of Kenny Chan & Co. Mr. Chan has served as an independent non-executive director of Combest Holdings Limited (a listed company on the Hong Kong Stock Exchange, stock code: 08190) from January 2002 to 12 February 2018, an independent non-executive director of TSC Group Holdings Limited (a listed company on the Hong Kong Stock Exchange, stock code: 00206) since October 2005, an independent non-executive director of Sing On Holdings Limited (a listed company on the Hong Kong Stock Exchange, stock code: 08352) since December 2016, an independent non-executive director of Minsheng Education Group Company Limited since March 2017 and an independent non-executive director of Zhongyuan Bank Co., Ltd. (a listed company on the Hong Kong Stock Exchange, stock code: 1216) since May 2017. Mr. Chan served as an independent non-executive director of Convoy Global Holdings Limited (a listed company on the Hong Kong Stock Exchange, stock code: 01019) from April 2015 to November 2017, an independent non-executive director of WLS Holdings Limited (a listed company on the Hong Kong Stock Exchange, stock code: 08021) from April 2015 to November 2017 and an independent non-executive director of AMCO United Holding Limited (a listed company on the Hong Kong Stock Exchange, stock code: 00630) from June 2015 to July 2017.

Mr. Chan obtained a bachelor of commerce degree in accounting and finance from The University of New South Wales in Sydney, Australia in October 1988. He is a certified public accountant and a fellow member of the Hong Kong Institute of Certified Public Accountants. From 2009 to 2010, he served as the District Governor of Lions Clubs International District 303 – Hong Kong & Macao. From 2012 to 2015, he was the president of the Hong Kong Branch of the International Institute of Certified Public Accountants. He has been a member of the Youth Programme Co-ordinating Committee of Commission on Youth since April 2015, and was president of the Hong Kong Youth Cultural & Arts Competition, sponsored by the Home Affairs Department of the Hong Kong Special Administrative Region since 2016. He was awarded the certificate of Commendation by the secretary for Home Affairs of the Hong Kong Special Administrative Region in 2016.

Supervisors

Mr. Mao Yuanli (毛元利), aged 60, is the Chairman of the Board of Supervisors and a shareholder Supervisor of the Company since 31 March 2017. Mr. Mao also serves as the chairman of board of directors of Hebei Qianyuan Agricultural Technology Development Co., Ltd. (河北乾元農業科技開發有限公司) and a director of Datang Baoding Heat Supply Co., Ltd. (大唐保定供熱有限公司) and HCG Garden Engineering, respectively, and a supervisor of Zhongru Investment and Zhongming Zhiye. Mr. Mao's previous primary work experience includes: serving as a worker in the general factory of No. 1 Construction Engineering Company of Hebei Province from December 1974 to November 1975; a plumbing technician of the fourth division of No. 1 Construction Engineering Company of Hebei Province from October 1977 to June 1985; the person in charge of technology of the boiler ventilation equipment installation group of No. 1 Construction Engineering Company of Hebei Province from July 1985 to June 1991; a vice manager of the equipment installation branch of No. 1 Construction Engineering Company of Hebei Province from February 1991 to January 1994; an assistant to general manager of No. 1 Construction Engineering Company of Hebei Province and the manager of its Instalment Branch from June 1994 to July 1996; a vice general manager of No. 1 Construction Engineering Company of Hebei Province from August 1996 to December 1997; a standing vice general manager and a director of the Company from January 1998 to December 2000; the chairman and the general manager of HCG Tianchen Construction Engineering from January 2001 to January 2005; a vice President of the Company from January 2005 to December 2010; a director of the Company from April 2005 to March 2017; the deputy secretary of the Party Committee of the Company from May 2011 to January 2018, the chairman of the trade union of the Company from May 2011 to March 2018, and the secretary of the disciplinary committee of the Company from March 2014 to January 2018.

Mr. Mao obtained an academic diploma from a post-secondary course for heating and ventilation from Zhangjiakou Construction Engineering Institute of Hebei Province (河北省張家口建築工程學校, currently known as Hebei University of Architecture) in Zhangjiakou, the PRC in September 1977. Mr. Mao obtained the qualification of national certified constructor from the Ministry of Construction of the PRC in January 2008 and the qualification of senior engineer from the Qualification Reform Leading Group Office of Hebei Province (河北省職稱改革領導小組辦公室) in December 2005, respectively. Mr. Mao was awarded the "Excellent Individual in the Wenchuan Earthquake Post-disaster Reconstruction (汶川地震災後恢復重建先進個人)" by the Ministry of Human Resources and Social Security, National Development and Reform Commission and People's Liberation Army General Political Department in October 2011 and the "National Excellent Worker for the Labor Union (全國優秀工會工作者)" by All-China Federation of Trade Union in December 2015.

Mr. Liu Jingqiao (劉景喬), aged 56, is an employee Supervisor of the Company since 31 March 2017. Mr. Liu also serves as the director of the Office of Party and Administration of the Company, the chairman of board of directors of Yuncai Network Technology Co., Ltd. (雲采網絡技術有限公司), Shenxian Mountain Tourism Development Co., Ltd. (神仙山旅遊發展有限公司) and Feihu Tourism Development Co., Ltd. (飛狐旅遊發展有限公司), respectively and a director of Hebei Qianyuan Agricultural Technology Development Co., Ltd. (河北乾元農業科技開發有限公司). Mr. Liu's previous primary work experience includes: serving as an employee of the health system of Fuping County of Hebei Province from August 1981 to August 1986; the head of the reporting group of the publicity department of the Party committee of Fuping County of Hebei Province and an organizer (at deputy division level) of the organization department of the Party Committee of Fuping County of Hebei Province; a secretary of the Company from September 1994 to January 2001; a deputy director of the office of the Party Committee and the Board secretary of the Company from January 2001 to December 2012; a deputy office director of the Company from April 2002 to February 2009; an office director of the Company, a director of the General Management Office, a deputy head of the Security Department and the secretary to the Party Committee of the Company from February 2009 to December 2012; and the Board secretary of the Company from November 2010 to April 2017.

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

Ms. Feng Xiujian (馮秀健), aged 40, is a shareholder Supervisor of the Company since 23 January 2013. Ms. Feng also serves as a vice Chief Accountant and the head of Finance Management Department of the Company and a supervisor of Zhongcheng Real Estate, Hebei Zhiping Construction Equipment Leasing Co., Ltd. (河北治平建築設備租賃有限公司), Yuncai Network Technology Co., Ltd. (雲采網絡技術有限公司), Hebei Zhongru Software Technology Co., Ltd. (河北中儒軟件科技股份有限公司), Hebei Lvjian Investment Company (河北綠建投資股份公司) and Baoding Taihang Heyi Cement Co., Ltd. (保定太行和益水泥有限公司), respectively. Ms. Feng's previous primary work experience includes: serving as an accountant of the Steel Structures Branch of the Company from September 2000 to August 2004; a deputy head and the head (at division level) of the Finance Division of Concrete Branch of the Company from August 2004 to May 2009; and a deputy head of the Finance Management Department of the Company from June 2009 to December 2009.

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

Mr. Yue Jianming (岳建明), aged 45, is an employee Supervisor of the Company since 31 March 2017. Mr. Yue also serves as the head of the Legal Affairs Department of the Company, and a supervisor of HCG Tianchen Construction Engineering, HCG Zhuocheng Road and Bridge Engineering, HCG Installment Engineering and HCG Garden Engineering, respectively. He is also a consultation expert of National Development and Reform Commission, a mediator of Mediation Centre of China Construction Industry Association, an arbitrator of China International Economics and Trade Arbitration Commission and Shanghai Arbitration Commission, a consultant expert of Hebei Urban Construction Investment & Financing Association, an editor of textbook for the National Grade I Practising Qualification Certificate Constructor Examination, a vice director committee member of the Real Estate and Construction Engineering Law Profession Committee of China Legal Consulting Centre (中國法律諮詢中心房地產與建築工程法律專業委員會), an expert in the NDRC expert pool (國家發改委PPP專家庫), a council member of China Experts Association (中國專家學者協會), an adjunct professor at the College of Political Science and Law of Hebei University, a researcher of Real Estate Law Research Centre of China University of Political Science and Law, a member of the Legal Expert Consulting Committee of the People's Government of Baoding (保定市人民政府法制專家諮詢委員會) and a researcher of the China Behavior Law Association and Joint Major and Difficult Cases Research Centre (中國行為法學會及法聯重大疑難案件研究中心). Mr. Yue's previous primary work experience includes: serving as the legal counsel of the Company from September 1995 to March 2006; and a deputy head of the Economic Contract Department of the Company from April 2006 to March 2009.

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

Mr. Wang Feng (王豐), aged 38, is a shareholder Supervisor of the Company since 31 March 2017. Mr. Wang also serves as the head of the Inspection and Auditing Department of the Company, and a supervisor of HCG Tianchen Construction Engineering, HCG Decoration Engineering, HCG Zhuocheng Land and Road Engineering, HCG Installment Engineering and HCG Garden Engineering, respectively. Mr. Wang's previous primary work experience includes: serving as a teacher at No.10 Middle School of Dalad Qi, Inner Mongolia from September 2003 to August 2004, an information commissioner of the office of the Party Committee of Dalad Qi, Inner Mongolia from September 2004 to August 2005, the human resource manager of Aishengya (Baoding) Package Company Limited (愛生雅(保定)包裝有限公司) from September 2008 to June 2010, the human resource manager of Baoding International Paper Package Company Limited (保定國際紙業包裝有限公司) from September 2010 to December 2013, and the secretary to the vice Chairman of the Board of the Company from January 2014 to September 2014.

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

Senior Management

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

Ms. Liu Shuzhen (劉淑珍). For biography of Ms. Liu, please refer to "Director – Executive Director" above.

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

Mr. Gao Qiuli (高秋利), aged 60, is a vice President and the Chief Engineer of the Company since 22 July 2001. Mr. Gao also serves as the chairman of the board of directors of Hebei Lvjian Investment Company (河北綠建投資股份公司) and a director of HCG Installment Engineering, Hebei Zhongru Software Technology Co., Ltd (河北中儒軟件科技股份有限公司) and Hebei Tianbo Construction Technology Co., Ltd. (河北天博建設科技有限公司), respectively. Mr. Gao has over 37 years of experience in the construction engineering industry and technical and quality management. His previous primary work experience includes: serving as a technician and the person in charge of technology of No. 1 Construction Engineering Company of Hebei Province from July 1981 to December 1988; the head in charge of technology and the head of No. 1 Construction Engineering Company of Hebei Province from January 1988 to November 1994; a deputy head and the head (at division level) of the quality and technology division of No. 1 Construction Engineering Company of Hebei Province from December 1994 to November 1997; a vice chief engineer and a vice general manager of No. 1 Construction Engineering Company of Hebei Province from December 1997 to December 1998; and the chief engineer and a vice general manager of No. 1 Construction Engineering Company of Hebei Province from January 1999 to June 2001.

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

Mr. Zhao Wensheng (趙文生), aged 49, is the Chief Accountant and the Director of Finance of the Company since 23 January 2013. Mr. Zhao also serves as the chairman of the board of supervisors of HCG Zhuocheng Road and Bridge Engineering, HCG Installment Engineering, HCG Decoration Engineering and Zhongji United Investment Holdings Co., Ltd. (中冀聯合投資控股有限公司), and a supervisor of HCG Tianchen Construction Engineering, Zhongcheng Real Estate, Baoding Mancheng Zhongbao Investment Co., Ltd. (保定市滿城區中寶投資有限公司), Hebei Lvjian Investment Company (河北綠建投資股份公司), Hebei Tianbo Construction Technology Co., Ltd. (河北天博建設科技有限公司) and Hebei Construction Group Qianqiu Management Co., Ltd. (河北建設集團千秋管業有限公司), Zhuocheng Road and Bridge, respectively. Mr. Zhao is also a standing member of China Construction Accounting Institute (中國建設會計學會) and a vice president of Hebei Institute of Construction Accounting (河北省建設會計協會). Mr. Zhao's previous primary work experience includes: serving as an accountant of No. 1 Construction Engineering Company of Hebei Province from July 1989 to January 1997; the head of finance department of HCG Decoration Engineering from January 1997 to July 2005; a deputy head of the Financial Audit Department of the Company from June 2005 to April 2006; and the head of Financial Management Department of the Company from April 2006 to January 2013.

Mr. Zhao obtained a bachelor's degree in management majoring in accounting (self-study) from Hebei University of Economics and Business in Shijiazhuang, the PRC in June 2004. Mr. Zhao obtained the qualification of senior accountant from Qualification Reform Leading Group Office of Hebei Province (河北省職稱改革領導小組辦公室) in June 2009.

Mr. Li Wutie (李武鐵), aged 31, is the Board secretary of the Company since 31 March 2017 and the assistant to the President of the Company since January 2015. Mr. Li's previous primary work experience includes working at the Inspection and Audit Department and Market Operation Department of the Company from July 2013 to December 2014.

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

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

Joint Company Secretaries

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

Ms. Wong Wai Ling (黃慧玲), is one of the joint company secretaries of the Company. Ms. Wong has more than 13 years of experience in corporate secretarial affairs. Ms. Wong is the assistant vice president of SW Corporate Services Group Limited and is responsible for assisting listed companies in professional company secretarial work. Prior to joining SW Corporate Services Group Limited, she worked in a corporate service provider and the company secretarial department of an international accounting firm. Ms. Wong obtained a Bachelor of Arts degree in marketing and public relations from the Hong Kong Polytechnic University and a Master's degree in corporate governance from the Open University of Hong Kong. Ms. Wong has been an associate of The Hong Kong Institute of Chartered Secretaries and an associate of The Institute of Chartered Secretaries and Administrators in the United Kingdom.

STAFF INFORMATION

Staff Composition

As at 31 December 2017, the Group had 5,884 full-time employees. Set out below is a breakdown of the number of staff by function:

Employees of	Number of employees
The Company	3,909
The subsidiaries of the Company	1,975
Total	5,884

STAFF INCENTIVE

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

STAFF TRAINING

The Group attaches great importance to building a sound corporate culture, strives to improve the overall quality of employees and actively conducts comprehensive staff training at different levels. During the Reporting Period, it has pushed forward the development of systems, training courses, trainer qualification and training management in accordance with corporate strategy and arrangement of key undertakings of the year, and with the support of the Company's training system. On that basis, it coordinated and planned company-level training programs for different departments and subordinate companies. As at 31 December 2017, the Group has provided training for a total of 23,300 employees in 64,335 days and total training expenditure amounting to approximately RMB316.85 million.

EMPLOYEE EVALUATION AND REMUNERATION

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

PENSION SCHEME

A total of 79 employees of the Company retired in 2017. Such employees are entitled to the social pension insurance scheme approved by local labour and social security authorities.

Further details of employment policy of the Company will be set out in the "Environmental, Social and Governance Report" published within three months from the date of the annual report for 2017 of the Company.

INDEPENDENT AUDITOR'S REPORT

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

OPINION

We have audited the consolidated financial statements of Hebei Construction Group Corporation Limited (the "Company") and its subsidiaries (the "Group") set out on pages 106 to 208, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss, and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

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

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Revenue recognition on construction contracts	
Most of the Group's revenue was derived from construction contracting services, which were accounted for by applying the percentage-of-completion ("POC") method. The POC method involves the use of management's significant judgement and estimates, including estimates of the progress towards completion, the scope of deliveries and services required, total contract costs, and remaining costs to completion. In addition, revenue, cost and gross profit realised on such contracts can vary from the Group's original estimates because of changes in conditions. The accounting policies and related disclosures for the revenue recognition on construction contracts are included in notes 3, 4 and 6 to the consolidated financial statements.	We performed the following procedures in relation to revenue recognition of construction contracts: 1) Evaluating and testing controls over the accounting process of contract costs, contract revenues and the calculation of the stage of completion; 2) Reviewing significant construction contracts on a sample basis to check the total contract revenues and other key contract terms; 3) Checking the contract costs incurred on a sample basis against the amounts in supporting documents such as delivery notes, acceptance notes and invoices; 4) Evaluating management's judgement and estimates in the determination of estimated total contract costs on a sample basis by checking the progress of the construction contracts with person in charge of the projects and comparing actual contract costs incurred with budgeted contract cost; 5) Re-calculating the POC based on contract costs incurred to estimate the revenues recognized under the POC method on a sample basis.

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Impairment of trade receivables, deposits and other receivables	
As at 31 December 2017, trade receivables, deposits and other receivables amounting to RMB10,249,574,000 were material to the Group's consolidated financial statements. Management's assessment of impairment of trade receivables, deposits and other receivables involves significant judgements and estimates and is based on known debtors' information such as financial positions, the ageing of receivable balances, existence of disputes, historical payment records and any other relevant information concerning debtors' creditworthiness and changes in current economic and business conditions. The accounting policies and related disclosures for the trade receivables, deposits and other receivables are included in notes 3, 4, 27 and 28 to the consolidated financial statements.	We performed the following procedures in relation to the provision assessment for trade receivables, deposits and other receivables: 1) Evaluating and testing the controls over the accounting process of impairment allowance of trade receivables, deposits and other receivables; 2) Evaluating the provision for receivables on a sample basis to understand debtors' financial position and creditworthiness according to their financial statements and latest correspondence and checking the ageing of receivable balances and historical payment records; 3) Testing the accuracy of ageing of receivable balances by tracing details on a sample basis of supporting documents, such as invoices, bank advice and contracts with debtors; 4) Reviewing bank advice of the payments received subsequent to the end of the reporting period.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Ernst & Young
Certified Public Accountants
Hong Kong
26 March 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
CONTINUING OPERATIONS			
Revenue	6	**41,177,335**	38,609,402
Cost of sales		**(38,946,373)**	(36,726,588)
Gross profit		**2,230,962**	1,882,814
Other income and gains	6	**381,914**	201,751
Selling and distribution expenses		**(39,300)**	(65,955)
Administrative expenses		**(423,257)**	(325,698)
Other expenses		**(399,368)**	(212,882)
Finance costs	7	**(182,537)**	(230,343)
Share of losses and profits of associates:		**(3,559)**	58,264
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	8	**1,564,855**	1,307,951
Income tax expense	11	**(497,449)**	(257,220)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**1,067,406**	1,050,731
DISCONTINUED OPERATIONS			
Profit/(loss) for the year from discontinued operations	12	**26,722**	(237,128)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**1,094,128**	813,603
Attributable to:			
Owners of the parent		**1,052,246**	768,178
Non-controlling interests		**41,882**	45,425
		1,094,128	813,603
Earnings per share attributable to ordinary equity holders of the parent:			
Basic *(expressed in RMB per share)*	15		
– For profit for the year		**0.80**	0.64
– For profit from continuing operations		**0.78**	0.85

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	16	**434,229**	369,149
Investment properties	17	**135,439**	133,370
Prepaid land lease payments	18	**36,495**	37,397
Investments in associates	19	**318,650**	79,091
Available-for-sale investments	20	**488,500**	148,500
Deferred tax assets	21	**255,925**	250,219
Trade receivables	27	**451,853**	506,404
Receivables under service concession arrangements	22	**42,278**	–
Total non-current assets		**2,163,369**	1,524,130
CURRENT ASSETS			
Prepaid land lease payments	18	**863**	824
Inventories	23	**77,782**	167,883
Amounts due from contract customers	24	**27,744,640**	27,706,939
Properties under development	25	**2,574,039**	3,604,501
Completed properties held for sale	26	**741,447**	816,426
Trade and bills receivables	27	**6,137,059**	10,777,375
Prepayments, deposits and other receivables	28	**5,808,804**	6,666,539
Pledged deposits	29	**222,640**	1,004,991
Cash and cash equivalents	29	**5,288,019**	4,668,807
		48,595,293	55,414,285
Assets of disposal groups classified as held for sale	12	**–**	4,468,577
Total current assets		**48,595,293**	59,882,862
CURRENT LIABILITIES			
Trade and bills payables	30	**30,849,740**	40,291,307
Amounts due to contract customers	24	**4,374,621**	2,810,472
Other payables, advances from customers and accruals	31	**7,074,032**	7,703,676
Interest-bearing bank and other borrowings	32	**1,847,362**	3,316,260
Tax payable		**565,644**	396,049
Financial guarantee contracts	36	**14,174**	20,104
		44,725,573	54,537,868
Liabilities directly associated with the assets classified as held for sale	12	**–**	3,239,166
Total current liabilities		**44,725,573**	57,777,034

	Notes	2017 RMB'000	2016 RMB'000
NET CURRENT ASSETS		**3,869,720**	2,105,828
TOTAL ASSETS LESS CURRENT LIABILITIES		**6,033,089**	3,629,958
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	*32*	**1,721,780**	540,280
Total non-current liabilities		**1,721,780**	540,280
Net assets		**4,311,309**	3,089,678
EQUITY			
Equity attributable to owners of the parent			
Share capital	*33*	**1,733,334**	1,200,000
Reserves	*34*	**2,169,353**	1,634,235
		3,902,687	2,834,235
Non-controlling interests		**408,622**	255,443
Total equity		**4,311,309**	3,089,678

Director

Director

	Attributable to owners of the parent						
	Share capital	Special reserve*/**	Statutory surplus reserve*	Retained profits*	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000* *(note 34)*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2016	1,200,000	–	219,128	661,779	2,080,907	90,862	2,171,769
Profit and total comprehensive income for the year	–	–	–	768,178	768,178	45,425	813,603
Disposal of a subsidiary	–	–	–	–	–	(3,373)	(3,373)
Capital contribution by non-controlling shareholders	–	–	–	–	–	122,529	122,529
Appropriation to statutory surplus reserve	–	–	109,429	(109,429)	–	–	–
Dividends declared and paid	–	–	–	(14,850)	(14,850)	–	(14,850)
Transfer to special reserve	–	726,061	–	(726,061)	–	–	–
Utilisation of special reserve	–	(726,061)	–	726,061	–	–	–
At 31 December 2016	1,200,000	–	328,557	1,305,678	2,834,235	255,443	3,089,678

		Attributable to owners of the parent							
	Notes	Share capital RMB'000	Capital reserve* RMB'000	Special reserve*/** RMB'000	Statutory surplus reserve* RMB'000 (note 34)	Retained profits* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2017		1,200,000	-	-	328,557	1,305,678	2,834,235	255,443	3,089,678
Profit and total comprehensive income for the year		-	-	-	-	1,052,246	1,052,246	41,882	1,094,128
Contribution by non-controlling interests through acquisition		-	-	-	-	-	-	9,800	9,800
Disposal of discontinued operations		-	-	-	-	-	-	(93,431)	(93,431)
Capital contribution by shareholders of the Company	33	100,000	-	-	-	-	100,000	-	100,000
Issuances of H shares In initial public offering ("IPO")	33	433,334	1,134,272	-	-	-	1,567,606	-	1,567,606
Acquisition of non-controlling interests		-	-	-	-	-	-	(2,000)	(2,000)
Capital contribution by non-controlling shareholders		-	-	-	-	-	-	200,400	200,400
Appropriation to statutory surplus reserve		-	-	-	99,511	(99,511)	-	-	-
Dividends declared	14	-	-	-	-	(1,651,400)	(1,651,400)	(3,472)	(1,654,872)
Capitalisation of retained profits and statutory surplus reverse	34	-	254,254	-	(253,511)	(743)	-	-	-
Transfer to special reserve		-	-	634,718	-	(634,718)	-	-	-
Utilisation of special reserve		-	-	(634,718)	-	634,718	-	-	-
At 31 December 2017		1,733,334	1,388,526	-	174,557	606,270	3,902,687	408,622	4,311,309

* As at 31 December 2017, these reserve accounts comprise the consolidated reserves of RMB2,169,353,000 (2016: RMB1,634,235,000), in the consolidated statements of financial position.

** In preparation of the financial statements, the Group has appropriated certain amount of retained profits to a special reserve fund for the year ended 31 December 2017, for safety production expense purposes as required by directives issued by relevant PRC government authorities. The Group charged the safety production expense to profit or loss when such expense was incurred, and at the same time an equal amount of such special reserve fund was utilised and transferred back to retained earnings until such special reserve was fully utilised.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax:			
from continuing operations		**1,564,855**	1,307,951
from discontinued operations	*12(a)*	**35,630**	(214,743)
Adjustments for:			
Finance costs		**182,537**	233,755
Share of losses and profits of associates		**3,559**	(58,264)
Dividend income from available-for-sale investments		**(30,009)**	(13,997)
Interest income		**(176,102)**	(171,403)
Gain on disposal of subsidiaries	*35*	**(107,069)**	(7,946)
Gain on disposal of assets and liabilities of disposal groups classified as held for sale		**(58,304)**	–
Recognition of financial guarantee contracts	*36*	**(5,930)**	13,268
Changes in fair value of Investment property	*17*	**(2,069)**	161
Depreciation of items of property, plant and equipment	*16*	**39,833**	51,321
Amortisation of prepaid land lease payments	*18*	**863**	1,003
Impairment of trade receivables	*27*	**97,376**	116,255
Impairment of deposits and other receivables	*28*	**278,254**	10,776
Listing expenses		**42,857**	–
Gain on disposal of items of property, plant and equipment, and prepaid land lease payments		**(39,980)**	(6,558)
		1,826,301	1,261,579

	Notes	2017 RMB'000	2016 RMB'000
Decrease/(increase) in inventories		**90,101**	(33,501)
Increase in amounts due from contract customers		**(37,701)**	(2,791,786)
Increase/(decrease) in amounts due to contract customers		**1,564,149**	(1,931,264)
Increase/(decrease) in properties under development		**55,486**	(421,893)
Increase in completed properties held for sale		**(179,902)**	(42,963)
Decrease/(increase) in trade and bills receivables		**4,597,491**	(1,810,039)
Increase in receivables under service concession arrangements		**(42,278)**	(1,139,795)
Decrease/(increase) in prepayments, deposits and other receivables		**328,746**	(982,390)
(Decrease)/increase in trade and bills payables		**(9,440,935)**	7,590,835
Increase in other payables and accruals		**1,327,518**	1,486,062
(Decrease)/increase in advances from customers		**(1,009,442)**	1,397,249
Decrease/(increase) in pledged deposits		**782,351**	(84,847)
Net cash flows from operating activities		**(138,115)**	2,497,247
Income tax paid		**(336,723)**	(235,676)
Net cash flows (used in)/generated from operating activities		**(474,838)**	2,261,571

	Notes	2017 RMB'000	2016 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**176,102**	144,893
Dividends received from available-for-sale investments		**42,509**	16,347
Payments for acquisition of items of property, plant and equipment		**(127,651)**	(170,915)
Addition of investment in associates		**-**	(47,242)
Advances of loans to associates and joint ventures		**(51,500)**	(6,200)
Repayment of loans to associates and joint ventures		**239,039**	30,000
Proceeds from disposal of items of property, plant and equipment, and prepaid land lease payments		**62,480**	15,108
Proceeds from disposal of subsidiaries, net of cash	35	**255,206**	17,978
Payments for addition of available-for-sale investments		**(300,000)**	–
Proceeds from disposal of available-for-sale investments		**-**	1,500
Proceeds from disposal of assets and liabilities of disposal groups classified as held for sale, net of cash		**659,496**	–
Proceeds from disposal of associates		**-**	5,000
Net cash flows generated from investing activities		**955,681**	6,469

	Notes	2017 RMB'000	2016 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		**(298,338)**	(184,938)
Proceeds from issue of H shares through Hong Kong IPO		**1,638,904**	–
Payment of issuance cost in related to Hong Kong IPO		**(114,155)**	–
Additions of interest-bearing bank borrowings and other borrowings		**2,259,039**	4,109,200
Repayment of interest-bearing bank borrowings and other borrowings		**(3,451,437)**	(4,561,844)
Dividends paid to shareholders		**(1,531,400)**	(14,850)
Dividends paid to non-controlling shareholders		**(3,472)**	–
Loans from related parties		**3,267,000**	8,040
Repayment of loans from related parties		**(2,420,960)**	(1,240)
Capital contribution by non-controlling shareholders		**200,400**	122,529
Capital contribution by shareholders of the Company	33	**100,000**	–
Acquisition of non-controlling interests		**(2,000)**	–
Restricted cash as guarantee for bank borrowings		**-**	661,500
Net cash flows (used in)/generated from financing activities		**(356,419)**	138,397
NET INCREASE IN CASH AND CASH EQUIVALENTS		**124,424**	2,406,437
Cash and cash equivalents at beginning of year		**5,163,595**	2,757,158
CASH AND CASH EQUIVALENTS AT END OF YEAR		**5,288,019**	5,163,595
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the statement of financial position		**5,288,019**	4,668,807
Cash and bank balances attributable to assets of disposal groups classified as held for sale	12c	**-**	494,788
Cash and cash equivalents as stated in the statement of cash flows		**5,288,019**	5,163,595

1. CORPORATE INFORMATION

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

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

- Construction contracting
- Property development and other businesses

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

Information about subsidiaries

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

Name	Place and date of registration and business	Share capital	Percentage of Equity attributable to the Company Direct	Indirect	Principal activities
HCG Tianchen Construction Engineering Co., Ltd. ("河北建設集團天辰建築工程有限公司")	The PRC/ Mainland China December 1997	RMB230,000,000	87	13	Construction contracting
Zhongcheng Real Estate Development Co., Ltd. ("中誠房地產開發股份有限公司")	The PRC/ Mainland China August 1992	RMB200,000,000	90	10	Property development
HCG Installment Engineering Co., Ltd. ("河北建設集團安裝工程有限公司")	The PRC/ Mainland China August 2004	RMB180,000,000	61	39	Construction contracting
HCG Road and Bridge Engineering Co., Ltd. ("河北建設集團卓誠路橋工程有限公司")	The PRC/ Mainland China January 1998	RMB105,000,000	52	48	Highway construction, municipal public works and housing construction
Huailai Zhongcheng Real Estate Development Co., Ltd. ("懷來中誠房地產開發有限公司")	The PRC/ Mainland China December 2013	RMB100,000,000	-	64	Property development

1. CORPORATE INFORMATION (Continued)

Name	Place and date of registration and business	Share capital	Percentage of Equity attributable to the Company Direct	Indirect	Principal activities
Baoding Zhongcheng Investment Management Co., Ltd. ("保定中誠投資管理有限公司")	The PRC/ Mainland China September 2007	RMB69,000,000	100	-	Property development and management
Hebei Construction Group Decoration Engineering Co., Ltd. ("河北建設集團裝飾工程有限公司")	The PRC/ Mainland China January 1998	RMB68,000,000	100	-	Construction contracting
Guangan Zhengcheng Real Estate Development Co., Ltd. ("廣安中誠房地產開發有限公司")	The PRC/ Mainland China January 2014	RMB50,000,000	-	100	Property development
Luanping Zhengcheng Real Estate Development Co., Ltd. ("灤平中誠房地產開發有限公司")	The PRC/ Mainland China April 2009	RMB50,000,000	-	51	Property development
Hebei Guangsha Property Management Co., Ltd. ("河北廣廈物業服務有限公司")	The PRC/ Mainland China July 2003	RMB3,000,000	-	100	Property management
Hebei Construction Group Wuhu Baojian Construction Co., Ltd. ("河北建設集團蕪湖寶建建設有限公司")	The PRC/ Mainland China December 2010	RMB1,000,000	-	100	Construction contracting
Dingzhou Tiande Environmental Science and Technology Co., Ltd. ("定州市天德環保科技有限公司")	The PRC/ Mainland China October 2017	RMB1,000,000	-	100	Sewage treatment

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

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

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), issued by the International Accounting Standards Board ("IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention except for investment property which has been measured at fair value. Disposal groups held for sale are stated at the lower of their carrying amounts and fair values less costs to sell as further explained in note 3. The financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2017. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

2.1 BASIS OF PREPARATION (Continued)

Basis of consolidation (Continued)

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

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

Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of single coordinated plan to dispose of a separate major line of business or geographical area of operations, or when the operation meets the criteria to be classified as held for sale, if earlier. It also occurs when the operation is abandoned. When an operations is classified as discontinued, a single amount is presented on the face of the consolidated statements of profit or loss and other comprehensive income, which comprises comparative information for prior years presented so that the disclosures relate to all operations that have been discontinued by the end of the reporting period for the latest periods presented.

In November 2016, the Group decided to dispose of 1) interests in subsidiaries engaged in the water treatment and distribution facilities services, construction labour services and other non-core businesses (Collectively, "Disposal Group One"); and 2) the entire interests in Hebei Construction Group Liaoning Engineering Co., Ltd. to third parties and the entire interests in Zhongwei Construction Engineering Co., Ltd. and certain of its assets and liabilities to Zhongming Zhiye Co., Ltd., a subsidiary of the Company established in December 2016, which was sold to the Company's shareholder in 2017, (Collectively, "Disposal Group Two"). The reason for the disposal is to delineate other businesses operated by the Group from its principal business and optimise the construction business. The disposal of Disposal Group One and Disposal Group Two was not completed as at 31 December 2016.

2.1 BASIS OF PREPARATION (Continued)

Discontinued operations (Continued)

In accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, 1) Disposal Group One was classified as a discontinued operation and the operating results of Disposal Group One have been presented under a discontinued operation in the consolidated statements of profit or loss and other comprehensive income for the year ended 31 December 2016. The Group reclassified the assets and liabilities of Disposal Group One as held for sale in the consolidated statement of financial position as at 31 December 2016 and did not reclassify the assets and liabilities for prior periods; 2) Disposal Group Two was classified as a disposal group held for sale and relevant assets and liabilities were reclassified as held for sale in the consolidated statement of financial position as at 31 December 2016 and the assets and liabilities for prior periods were not reclassified.

Details of the discontinued operations are disclosed in Note 12 to the financial statements.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to IAS 7	*Disclosure Initiative*
Amendments to IAS 12	*Recognition of Deferred Tax Assets for Unrealised Loss*
Amendments to IFRS 12 Included in *Annual Improvements to IFRSs 2014-2016 Cycle*	*Disclosure of Interests in Other Entities: Clarification of the Scope of IFRS 12*

None of the above amendments to IFRSs has had a significant financial effect on these financial statements.

Disclosure has been made in note 39 to the financial statements upon the adoption of amendments to IAS 7, which require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts[1]
IFRS 9	Financial Instruments[1]
Amendments to IFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to IFRS 10 and IAS 28 (2011)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
IFRS 15	Revenue from Contracts with Customers[1]
Amendments to IFRS 15	Clarifications to IFRS 15 Revenue from Contracts with Customers[1]
IFRS 16	Leases[2]
Amendments to IAS 40	Transfers of Investment Property[1]
IFRIC Interpretation 22	Foreign Currency Transactions and Advance Consideration[1]
IFRIC Interpretation 23	Uncertainty over Income Tax Treatments[2]
Annual Improvements 2014-2016 Cycle	Amendments to IFRS 1 and IAS 28[1]

1 Effective for annual periods beginning on or after 1 January 2018

2 Effective for annual periods beginning on or after 1 January 2019

3 No mandatory effective date yet determined but available for adoption

Further information about those IFRSs that are expected to be applicable to the Group is described below.

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

IFRS 15, issued in May 2014, and establishes a new five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under IFRSs. Either a full retrospective application or a modified retrospective adoption is required on the initial application of the standard. In April 2016, the IASB issued amendments to IFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt IFRS 15 and decrease the cost and complexity of applying the standard. The Group will adopt IFRS 15 on from 1 January 2018 and plans to adopt the modified retrospective approach. During the year ended 31 December 2017, the Group has assessed the impact of this standard and expects that the standard will not have significant impact, when applied, on the consolidated financial statements of the Group.

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

IFRS 16, issued in January 2016, replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease,* SIC 15 *Operating Leases – Incentives* and SIC 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in IAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under IFRS 16 is substantially unchanged from the accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between operating leases and finance leases. IFRS 16 requires lessees and lessors to make more extensive disclosures than under IAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group expects to adopt IFRS 16 from 1 January 2019. The Group is currently assessing the impact of IFRS 16 upon adoption, and is considering whether it will choose to take advantage of the practical expedients available and which transition approach and reliefs will be adopted. As disclosed in note 40 to the financial statements, at 31 December 2017, the Group had future minimum lease payments under non-cancellable operating leases in aggregate of approximately RMB25,208,000. Upon adoption of IFRS 16, certain amounts included therein may need to be recognised as new right-of-use assets and lease liabilities. Further analysis, however, will be needed to determine the amount of new rights of use assets and lease liabilities to be recognised, including, but not limited to, any amounts relating to leases of low-value assets and short term leases, other practical expedients and reliefs chosen, and new leases entered into before the date of adoption.

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

IFRS 9, the IASB issued the final version, bringing together all phases of the financial instruments project to replace IAS 39 and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group will adopt IFRS 9 from 1 January 2018. The Group will not restate comparative information and will recognise any transition adjustments against the opening balance of equity at 1 January 2018. During 2017, the Group has performed a detailed assessment of the impact of the adoption of IFRS 9. The expected impacts relate to the classification and measurement and the impairment requirements and are summarised as follows:

(a) Classification and measurement

The Group does not expect that the adoption of IFRS 9 will have a significant impact on the classification and measurement of its financial assets categorised as loans and receivables as they are all debt instruments held within a business model whose objective is to hold assets in order to collect contractual cash flows and with the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. An equity investment currently held as available for sale will be measured at fair value through other comprehensive income as the investments are intended to be held for the foreseeable future and the Group expects to apply the option to present fair value changes in other comprehensive income. Gains and losses recorded in other comprehensive income for the equity investments cannot be recycled to profit or loss when the investments are derecognised. For the available-for-sale financial investment stated at cost less any impairment losses as of 31 December 2017, the Group does not expect any significant changes in the carrying amount as at 1 January 2018 even though the different measurement model will be introduced upon the initial adoption of the standard.

(b) Impairment

IFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under IFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group will apply the simplified approach and record lifetime expected losses that are estimated based on the present values of all cash shortfalls over the remaining life of all of its trade receivables. Furthermore, the Group will apply the general approach and record twelve-month expected credit losses that are estimated based on the possible default events on its other receivables within the next twelve months. The Group does not expect any significant changes in the provision for impairment upon the initial adoption of the standard.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

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

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in associates and joint ventures (Continued)

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

Business combinations and goodwill

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations and goodwill (Continued)

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

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its investment properties and financial guarantee contracts at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair value measurement (Continued)

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, construction contract assets, financial assets, investment properties and non-current assets/a disposal group classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of non-financial assets (Continued)

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related parties (Continued)

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with IFRS 5, as further explained in the accounting policy for "Non-current assets and disposal groups held for sale". The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment and depreciation (Continued)

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	3.3% to 5%
Plant and machinery	10% to 25%
Motor vehicles	12.5% to 25%
Office equipment and others	20% to 33.3%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the profit or loss in the year of the retirement or disposal.

Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale.

Non-current assets and disposal groups (other than investment properties and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised.

Research and development costs

All research costs are charged to the statement of profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Properties under development

Properties under development are intended to be held for sale after completion.

Properties under development are stated at the lower of cost comprising land costs, construction costs, borrowing costs, and other costs directly attributable to such properties incurred during the development period and net realisable value.

Properties under development are classified as current assets unless those will not be realised in the normal operating cycle. On completion, the properties are transferred to completed properties held for sale.

Completed properties held for sale

Completed properties held for sale are stated in the statement of financial position at the lower of cost and net realisable value. Cost is determined by an apportionment of the total costs of land and buildings attributable to the unsold properties. Net realisable value takes into account the price ultimately expected to be realised, less estimated costs to be incurred in selling the properties.

Service concession arrangements

Consideration given by the grantor

A financial asset (receivable under a service concession arrangement) is recognised to the extent that (a) the Group has an unconditional right to receive cash or another financial asset from or at the direction of the grantor for the construction services rendered and/or the consideration paid and payable by the Group for the right to charge users of the public service; and (b) the grantor has little, if any, discretion to avoid payment, usually because the agreement is enforceable by law. The Group has an unconditional right to receive cash if the grantor contractually guarantees to pay the Group (a) specified or determinable amounts or (b) the shortfall, if any, between amounts received from users of the public service and specified or determinable amounts, even if the payment is contingent on the Group ensuring that the infrastructure meets specified quality of efficiency requirements. The financial asset (receivable under a service concession arrangement) is accounted for in accordance with the policy set out for loans and receivables under “Investments and other financial assets” below.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Service concession arrangements (Continued)

Construction or upgrade services

Revenue and costs relating to construction or upgrade services are accounted for in accordance with the policy set out for "Construction contracts" below.

Operating services

Revenue relating to operating services is accounted for in accordance with the policy for "Revenue recognition" below. Costs for operating services are expensed in the period in which they are incurred.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in profit or loss. The loss arising from impairment is recognised in profit or loss in finance costs for loans and in other expenses for receivables.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in unlisted equity investments. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in profit or loss in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to profit or loss in other gains or losses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in profit or loss as other income in accordance with the policies set out for “Revenue recognition” below.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in profit or loss.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is removed from other comprehensive income and recognised in profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss – is removed from other comprehensive income and recognised in profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. Impairment losses on debt instruments are reversed through profit or loss if the subsequent increase in fair value of the instruments can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, interest-bearing bank and other borrowings and other payables.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) from construction contracts, on the percentage of completion basis, as further explained in the accounting policy for “Construction contracts” below;

(c) from the rendering of services, on the percentage of completion basis, as further explained in the accounting policy for “Contracts for services” below;

(d) rental income, on a time proportion basis over the lease terms;

(e) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset; and

(f) dividend income, when the shareholders’ right to receive payment has been established.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Construction contracts

Contract revenue comprises the agreed contract amount and appropriate amounts from variation orders, claims and incentive payments. Contract costs incurred comprise direct materials, the costs of subcontracting, direct labour and an appropriate proportion of variable and fixed construction overheads.

Revenue from fixed price construction contracts is recognised using the percentage of completion method, measured by reference to the proportion of costs incurred to date to the estimated total cost of the relevant contract.

Revenue from cost plus construction contracts is recognised using the percentage of completion method, by reference to the recoverable costs incurred during the period plus the related fee earned, measured by the proportion of costs incurred to date to the estimated total cost of the relevant contract.

Provision is made for foreseeable losses as soon as they are anticipated by management. Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers. Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employee benefits

Social pension plans

The Group has the social pension plans for its employees arranged by local government labour and security authorities. The Group makes contributions on a monthly basis to the social pension plans. The contributions are charged to profit or loss as they become payable in accordance with the rules of the social pension plans. Under the plans, the Group has no further obligations beyond the contributions made.

Housing fund and other social insurances

The Group has participated in defined social security contribution schemes for its employees pursuant to the relevant laws and regulations of the PRC. These include housing fund, basic medical insurance, unemployment insurance, injury insurance and maternity insurance. The Group makes monthly contributions to the housing fund and other social insurances. The contributions are charged to profit or loss on an accrual basis. The Group has no further obligations beyond the contributions made.

Production safety expenses

Production safety expenses accrued based on the *Production Safety Law of the People's Republic of China* shall be provided in retained profits for the current period, and recorded as a fund in the special reserve. When the expenditures are utilised as expenses, they should be recognised in profit or loss and offset against the special reserve; when the expenditures incurred relate to fixed assets, they shall be recognised in the cost of fixed assets, which will be recognised when it is ready for use. The same amount as the expenditure will be offset against the special reserve and recorded as accumulated depreciation equivalent at the same time.

Estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Estimation uncertainty (Continued)

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Percentage of completion of construction and service works

Revenue recognition on a project is dependent on management's estimation of the total outcome of the construction contracts and is recognised using the percentage of completion method, measured by reference to the proportion of costs incurred to date to the estimated total cost of the relevant contract. The Group reviews and revises the estimates of contract revenue, contract costs and variation orders, prepared for each construction contract as the contract progresses. Budgeted construction costs are prepared by management on the basis of quotations from time to time provided by the major contractors, suppliers or vendors involved and the experience of management. In order to keep the budget accurate and up-to-date, management conducts periodic reviews of the management budgets by comparing the budgeted amounts to the actual amounts incurred.

Estimation of total budgeted costs and cost to completion for construction contracting and contracts for services

Total budgeted costs for construction contracting and contracts for services comprise (i) direct material costs and direct labour, (ii) costs of subcontracting, and (iii) an appropriation of variable and fixed construction and services overheads. In estimating the total budgeted costs for construction contracting and contracts for services, management refers to information such as (i) current offers from subcontractors and suppliers, (ii) recent offers agreed with subcontractors and suppliers, and (iii) professional estimation on material costs, labour costs and other costs.

Deferred tax assets

Deferred tax assets relating to certain deductible temporary differences are recognised as management considers it is probable that future taxable profits will be available against which the unused temporary differences or unused tax losses can be utilised. The realisation of the deferred tax assets mainly depends on whether sufficient future taxable profits or taxable temporary differences will be available in the future. In cases where the actual future taxable profits generated are less than expected, a material reversal of deferred tax assets may arise, which will be recognised in profit or loss in the period in which such a reversal takes place.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

PRC land appreciation tax ("LAT")

The Group is subject to LAT in the PRC. The provision for LAT is based on management's best estimates according to the understanding of the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon the completion of the property development projects. The Group has not finalised its LAT calculation and payments with the tax authorities for certain its property development projects. When the final outcome is determined, it may be different from the amounts that were initially recorded, and any differences will affect the current income tax expense and LAT provision in the period in which LAT is ascertained.

Impairment of trade receivables, deposits and other receivables

The Group maintains an allowance for estimated losses arising from the inability of its customers to make the required payments. The Group makes its estimates based on the ageing of its trade receivable, deposits and other receivables, customers' creditworthiness, and historical write-off experience. If the financial condition of its customers deteriorates such that the actual impairment loss might be higher than expected, the Group would be required to revise the basis for making the allowance and its future results would be affected.

Estimation on the fair value of investment properties

Investment properties, including completed investment properties, were revalued at each reporting date based on the appraised market value provided by independent professional valuers. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the estimation, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at each reporting date.

5. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their services and has two reportable operating segments as follows:

(a) Construction contracting – this segment engages in the provision of services relating to construction contracting in architecture;

(b) Others – this segment engages in the provision of property development and other services.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit or loss, which is a measure of adjusted profit or loss before tax from continuing operations. The adjusted profit or loss before tax from continuing operations is measured consistently with the Group's profit before tax from continuing operations.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

5. OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 December 2017

	Construction contracting RMB'000	Others RMB'000	Total RMB'000
Segment revenue:			
Sales to external customers	38,909,449	2,267,886	41,177,335
Intersegment sales	703,958	39,546	743,504
Total revenue	39,613,407	2,307,432	41,920,839
Reconciliation:			
Elimination of intersegment sales			(743,504)
Revenue from continuing operations			41,177,335
Segment results	1,425,341	320,137	1,745,478
Reconciliation:			
Elimination of intersegment results			(180,623)
Profit before tax from continuing operations			1,564,855
Segment assets	56,223,560	7,450,735	63,674,295
Reconciliation:			
Elimination of intersegment receivables			(12,915,633)
Total assets			50,758,662

5. OPERATING SEGMENT INFORMATION (Continued)

Year ended
31 December 2017

	Construction contracting *RMB'000*	Others *RMB'000*	Total *RMB'000*
Segment liabilities	51,537,489	6,116,163	57,653,652
Reconciliation:			
Elimination of inter segment payables			(11,206,299)
Total liabilities			46,447,353
Other segment information:			
Depreciation	31,070	8,763	39,833
Amortisation	–	863	863
Provision for impairment of trade receivables, deposits and other receivables	351,464	24,166	375,630
Share of losses of associates	122	3,437	3,559
Capital expenditure*	75,486	52,165	127,651

* Capital expenditure consists of additions to property, plant and equipment.

5. OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 December 2016

	Construction contracting *RMB'000*	Others *RMB'000*	Total *RMB'000*
Segment revenue:			
Sales to external customers	37,713,767	895,635	38,609,402
Intersegment sales – continuing	889,377	8,884	898,261
Intersegment sales – discontinued	572,960	–	572,960
Total revenue	39,176,104	904,519	40,080,623
Reconciliation:			
Elimination of intersegment sales – continuing			(898,261)
Elimination of intersegment sales – discontinued			(572,960)
Revenue from continuing operations			38,609,402
Segment results	1,204,862	(182,778)	1,022,084
Reconciliation:			
Elimination of intersegment results – continuing			(45,210)
Elimination of intersegment results – discontinued			331,077
Profit before tax from continuing operations			1,307,951
Segment assets	59,143,973	9,044,919	68,188,892
Reconciliation:			
Elimination of intersegment receivables			(11,250,477)
Assets related to disposal groups classified as held for sale			4,468,577
Total assets			61,406,992

5. OPERATING SEGMENT INFORMATION (Continued)

Year ended
31 December 2016

	Construction contracting *RMB'000*	Others *RMB'000*	Total *RMB'000*
Segment liabilities	56,133,705	8,310,989	64,444,694
Reconciliation:			
Elimination of intersegment payables			(9,366,546)
Liabilities directly associated with the assets classified as held for sale			3,239,166
Total liabilities			58,317,314
Other segment information:			
Depreciation	38,199	7,645	45,844
Amortisation	205	798	1,003
Provision for impairment of trade receivables, deposits and other receivables	118,579	3,366	121,945
Share of profits and losses of associates	(58,631)	367	(58,264)
Capital expenditure*	102,349	91,555	193,904

Geographical information

The Group has derived substantially all of its business in the PRC.

Information about major customers

The Group has a large number of customers, and no single customer from which the revenue accounted for more than 10% of the Group's total revenue for the year ended 31 December 2017.

6. REVENUE, OTHER INCOME AND GAINS

Revenue mainly represents an appropriate proportion of contract revenue from construction contracting net of related tax; the gross proceeds from the sale of properties, net of additional tax; and gross rental income received and receivable from investment properties, net of additional tax during the year.

An analysis of the Group's revenue, other income and gains from continuing operations is as follow:

	Notes	2017 RMB'000	2016 RMB'000
Revenue			
Construction contracting		38,909,449	37,713,767
Sale of properties		2,154,976	857,731
Rental income and others		112,910	37,904
		41,177,335	38,609,402
Other income			
Interest income		176,102	171,155
Dividend income from available-for-sale investments		30,009	13,997
		206,111	185,152

6. REVENUE, OTHER INCOME AND GAINS (Continued)

	Notes	2017 RMB'000	2016 RMB'000
Gains			
Gain on disposal of items of property, plant and equipment, and prepaid land lease payments		**39,980**	6,558
Government grant		**1,529**	360
Change in fair value of an investment property	*17*	**2,069**	(161)
Gain on disposal of subsidiaries	*35*	**107,069**	7,946
Gain on disposal of assets and liabilities of disposal groups classified as held for sale		**22,674**	–
Others		**2,482**	1,896
		175,803	16,599
		381,914	201,751

7. FINANCE COSTS

An analysis of finance costs from continuing operations is as follows:

	2017 RMB'000	2016 RMB'000
Interest on bank loans and other borrowings	**315,376**	436,173
Less: Interest capitalised	**(132,839)**	(205,830)
Finance costs	**182,537**	230,343

8. PROFIT BEFORE TAX FROM CONTINUING OPERATIONS

The Group's profit before tax from continuing operations is arrived at after charging/(crediting):

	Notes	2017 RMB'000	2016 RMB'000
Cost of construction contracting (including depreciation)		**37,299,983**	36,018,125
Cost of others		**1,646,390**	708,463
Total cost of sales		**38,946,373**	36,726,588
Depreciation of items of property, plant and equipment		**39,833**	45,844
Amortisation of prepaid land lease payments		**863**	1,003
Total depreciation and amortisation		**40,696**	46,847
Research and development costs		**29,600**	28,104
Impairment of trade receivables and deposits and other receivables		**375,630**	121,945
Auditors' remuneration		**6,800**	622
Employee benefit expenses (including directors' and supervisors' remuneration):		**227,731**	213,608
– Wages, salaries and allowances		**180,073**	168,906
– Social insurance		**38,135**	35,765
– Welfare and other expenses		**9,523**	8,937
Interest income		**(176,102)**	(171,155)
Gain on disposal of items of property, plant and equipment, and prepaid land lease payments		**(39,980)**	(6,558)
Change in fair value of an investment property		**(2,069)**	161
Dividend income from available-for-sale investments		**(30,009)**	(13,997)
Gain on disposal of subsidiaries	*35*	**(107,069)**	(7,946)
Gain on disposal of assets and liabilities of disposal groups classified as held for sale		**(22,674)**	–

9. DIRECTORS' AND SUPERVISORS' REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2017	2016
	RMB'000	*RMB'000*
Fees	**-**	–
Others emoluments:		
– Salaries, allowances and benefits in kind	**1,029**	813
– Performance-related bonuses	**3,967**	3,786
– Pension scheme contributions	**217**	186
	5,213	4,785

(a) Independent non-executive directors

No fees paid to independent non-executive directors during the year (2016: Nil).

There were no other emoluments payable to the independent non-executive directors during the year (2016: Nil).

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (Continued)

(b) Executive directors and non-executive directors

The names of the directors and supervisors and their remuneration during the year are as follows:

	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contribution	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
2017					
Executive directors					
Mr. Li Baozhong	-	212	654	48	914
Ms. Liu Shuzhen	-	164	419	48	631
Mr. Liu Yongjian	-	164	419	48	631
Mr. Shang Jinfeng	-	151	1,298	25	1,474
Non-executive directors					
Mr. Li Baoyuan	-	156	654	-	810
Mr. Cao Qingshe	-	182	523	48	753
	-	1,029	3,967	217	5,213
2016					
Executive directors					
Mr. Li Baozhong	–	143	386	31	560
Mr. Mao Yuanli	–	101	386	31	518
Mr. Gao Qiuli	–	101	386	31	518
Ms. Liu Shuzhen	–	101	386	31	518
Ms. Liu Yongjian	–	101	386	31	518
Non-executive directors					
Mr. Li Baoyuan	–	154	1,374	–	1,528
Mr. Cao Qingshe	–	112	482	31	625
	–	813	3,786	186	4,785

There was no arrangement under which the directors waived or agreed to waive any remuneration during the year.

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included five directors (2016: three directors), details of whose remuneration are set out in note 9 above. Details of the remuneration of the remaining nil (2016: two) highest paid employees who are directors of the Company are as follows:

	2017 *RMB'000*	2016 *RMB'000*
Salaries, allowances and benefits in kind	-	210
Performance related bonuses	-	2,034
Pension scheme contributions	-	31
	-	2,275

The number of non-director and non-supervisor highest paid employees whose remuneration fell within the following bands is as follows:

	2017	2016
Nil to HK$1,000,000	-	1
HK$1,000,001 to HK$1,500,000	-	1
	-	2

11. INCOME TAX EXPENSE

Provision for Mainland China current income tax is based on the statutory rate of 25% of the assessable profits of the PRC subsidiaries of the Group as determined in accordance with the PRC Corporation Income Tax Law which was approved and became effective on 1 January 2008 (the "New Corporate Income Tax Law").

According to the requirements of the Provisional Regulations of the PRC on land appreciation tax ("LAT") effective from 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT effective from 27 January 1995, all income from the sale or transfer of state-owned leasehold interests on land, buildings and their attached facilities in Mainland China is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, with an exemption provided for property sales of ordinary residential properties if their appreciation values do not exceed 20% of the sum of the total deductible items.

The Group has estimated and made tax provision for LAT according to the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon completion of the property development projects and the tax authorities might disagree with the basis on which the provision for LAT is calculated.

	2017	2016
	RMB'000	*RMB'000*
Current income tax	**441,353**	376,324
LAT	**61,802**	6,150
Deferred income tax	**(5,706)**	(125,254)
Tax charge for the year from continuing operations	**497,449**	257,220
Tax charge/(credit) for the year from discontinued operations	**8,908**	(22,385)
	506,357	234,835

11. INCOME TAX EXPENSE (Continued)

A reconciliation of the income tax expense applicable to profit before tax using the statutory income tax rate applicable in Mainland China to the income tax expense at the Group's effective income tax during the year, are as follows:

	2017	2016
	RMB'000	*RMB'000*
Profit before tax from continuing operations	**1,564,855**	1,307,951
Profit/(loss) before tax from discontinued operations	**35,630**	(214,743)
	1,600,485	1,093,208
Income tax charge at the statutory income tax rate	**400,121**	273,302
Impact resulting from elimination between continuing operations and discontinued operations	**-**	(51,473)
Income not subject to tax	**(7,502)**	(3,499)
Expenses not deductible for tax purposes	**14,669**	1,530
Tax losses utilised from previous years	**-**	(1,107)
Tax losses not recognised	**20,473**	16,955
Others	**32,245**	(5,485)
LAT	**61,802**	6,150
Tax effect of LAT deductible for PRC Corporate Income Tax ("CIT")	**(15,451)**	(1,538)
Tax charge for the year at the Group's effective rate	**506,357**	234,835
Tax charge from continuing operations at the Group's effective rate	**497,449**	257,220
Tax charge/(credit) from discontinued operations at the Group's effective rate	**8,908**	(22,385)

12. DISCONTINUED OPERATIONS AND ASSETS AND LIABILITIES OF DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE

a) Discontinued operations

In November 2016, the Group decided to dispose of the entire interests in subsidiaries engaged in the water utility services, construction labour services and other non-core businesses (Collectively, "Disposal Group One"). The reason for the disposal is to delineate other businesses operated by the Group from its principal business. Disposal Group One was classified as a disposal group held for sale and as discontinued operations. With Disposal Group One being classified as discontinued operations, the related businesses are no longer included in the note for operating segment information.

The results of Disposal Group One presented as discontinued operations for the year ended 31 December 2017 are as below:

	2017 ***RMB'000***	2016 *RMB'000*
Revenue	**-**	2,071,162
Cost of sales	**-**	(2,234,784)
Gross loss	**-**	(163,622)
Other income and gains	**-**	2,393
Selling and distribution expenses	**-**	(343)
Administrative expenses	**-**	(39,246)
Other expenses	**-**	(10,513)
Finance costs	**-**	(3,412)
Profit/(loss) before tax from the discontinued operations	**-**	(214,743)
Gains on disposal of the discontinued operations	**35,630**	–
Income tax expense	**(8,908)**	(22,385)
Profit/(loss) for the year from the discontinued operations	**26,722**	(237,128)
Attributable to:		
Owners of the parent	**26,722**	(249,590)
Non-controlling interests	**-**	12,462
	26,722	(237,128)

12. DISCONTINUED OPERATIONS AND ASSETS AND LIABILITIES OF DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE (Continued)

a) Discontinued operations (Continued)

The major classes of assets and liabilities of Disposal Group One classified as held for sale as at 31 December 2016 are as follows:

	2016 *RMB'000*
Assets	
Property, plant and equipment	82,019
Prepaid land lease payments	11,020
Receivables under service concession arrangements	1,442,294
Inventories	66,656
Trade and bills receivables	372,015
Prepayments, deposits and other receivables	20,460
Amounts due from contract customers	381,051
Cash and cash equivalent	428,782
	2,804,297
Liabilities	
Interest-bearing bank and other borrowings	(1,057,500)
Trade and bills payables	(483,901)
Amounts due to contract customers	(112,258)
Other payables, advances from customers and accruals	(612,022)
Tax payable	(20,266)
	(2,285,947)
Net assets directly associated with the disposal group	518,350

12. DISCONTINUED OPERATIONS AND ASSETS AND LIABILITIES OF DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE (Continued)

a) Discontinued operations (Continued)

The net cash flows incurred by Disposal Group One for the year ended 31 December 2016 are as follows:

	2016 *RMB'000*
Operating activities	673,256
Investing activities	(1,450,491)
Financing activities	1,004,997
Net cash inflow	227,762

	2017	2016
Earnings/(loss) per share *(expressed in RMB per share)*		
Basic and diluted, from the discontinued operation	**0.02**	(0.20)

The calculation of basic earnings per share from discontinued operation is based on:

	2017 ***RMB'000***	2016 *RMB'000*
Profit/(loss) attributable to ordinary equity holders of the parent from the discontinued operations	**26,722**	(249,590)

	2017	2016
Number of shares:		
Weighted average number of ordinary shares in issue during the year, used in the basic earnings per share calculation (note 15)	**1,309,315,000**	1,200,000,000

12. DISCONTINUED OPERATIONS AND ASSETS AND LIABILITIES OF DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE (Continued)

b) Assets and liabilities of disposal groups classified as held for sale

In November 2016, the Group decided to dispose of the entire interests in Hebei Construction Group Liaoning Engineering Co., Ltd. to third parties, and the Company also decided to dispose of entire interests in Zhongwei Construction Engineering Co., Ltd. and certain assets and liabilities to Zhongming Zhiye Co., Ltd., a subsidiary of the Company established in December 2016, which was sold to the Company's shareholder in 2017. The above disposals of above were classified as a disposal group held for sale as at 31 December 2016.

The disposal assets and liabilities in this category are collectively referred as "Disposal Group Two".

As at 31 December 2016, details of the assets and liabilities of Disposal Group Two are as follows:

	2016 *RMB'000*
Assets	
Property, plant and equipment	44,533
Prepaid land lease payments	5,786
Trade and bills receivables	388,443
Investment property	40,472
Investments in associates	624,750
Available-for-sale investments	92,400
Prepayments, deposits and other receivables	65,781
Amounts due from contract customers	336,109
Cash and cash equivalent	66,006
Assets of disposal group classified as held for sale	1,664,280
Liabilities	
Interest-bearing bank and other borrowings	(104,770)
Trade and bills payables	(668,289)
Amounts due to contract customers	(91,979)
Other payables, advances from customers and accruals	(78,026)
Deferred tax liabilities	(96,492)
Tax payable	(3,663)
Liabilities directly associated with the assets classified as held for sale	(953,219)
Net assets directly associated with the disposal group	711,061

12. DISCONTINUED OPERATIONS AND ASSETS AND LIABILITIES OF DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE (Continued)

c) The major classes of assets and liabilities of the disposal groups classified as held for sale as at 31 December 2016 are as follows:

	Notes	Disposal Group One RMB'000	Disposal Group Two RMB'000	Total RMB'000
Assets				
Property, plant and equipment	*16*	82,019	44,533	126,552
Investment property	*17*	–	40,472	40,472
Prepaid land lease payments	*18*	11,020	5,786	16,806
Investments in associates		–	624,750	624,750
Available-for-sale investments		–	92,400	92,400
Receivables under service concession agreements	*22*	1,442,294	–	1,442,294
Inventories		66,656	–	66,656
Trade and bills receivables		372,015	388,443	760,458
Prepayments, deposits and other receivables		20,460	65,781	86,241
Amounts due from contract customers		381,051	336,109	717,160
Cash and cash equivalents		428,782	66,006	494,788
		2,804,297	1,664,280	4,468,577
Liabilities				
Interest-bearing bank and other borrowings		(1,057,500)	(104,770)	(1,162,270)
Trade and bills payables		(483,901)	(668,289)	(1,152,190)
Amounts due to contract customers		(112,258)	(91,979)	(204,237)
Other payables, advances from customers and accruals		(612,022)	(78,026)	(690,048)
Deferred tax liabilities		–	(6,492)	(6,492)
Tax payable		(20,266)	(3,663)	(23,929)
		(2,285,947)	(953,219)	(3,239,166)
Net assets directly associated with the disposal groups		518,350	711,061	1,229,411

12. DISCONTINUED OPERATIONS AND ASSETS AND LIABILITIES OF DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE (Continued)

c) The major classes of assets and liabilities of the disposal groups classified as held for sale as at 31 December 2016 are as follows: (Continued)

On 6 January 2017, the Group completed its disposal of discontinued operations and assets and liabilities of disposal groups classified as held for sale, and the results of the Disposal Group One and the Disposal Group Two from 1 January 2017 to 6 January 2017 were insignificant.

The consideration for the disposal was in cash and substantially collected by 31 December 2017.

13. PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated profit attributable to owners of the parent for the year ended 31 December 2017 includes profits of RMB1,211,726,000 (2016: RMB841,597,000), which have been dealt with in the financial statements of the Company (note 47).

14. DIVIDENDS

The dividends during the year are set out below:

	2017	2016
	RMB'000	*RMB'000*
Dividends declared to owners of the parent	**1,651,400**	14,850

The rates of distribution are not presented as the dividends during the years are declared prior to the listing of the Company's shares and this information is not meaningful for the purpose of this report.

The board of the directors of the Company does not recommend the declaration of final dividend for the year ended 31 December 2017.

15. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares of 1,309,315,000 (2016: 1,200,000,000) in issue during the year, as adjusted to reflect the rights issue during the year.

No adjustment has been made to the basic earnings per share amounts presented for the years in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the years.

The calculations of basic earnings per share are based on:

	2017	2016
	RMB'000	*RMB'000*
Earnings		
Profit/(loss) attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation:		
From continuing operations	**1,025,524**	1,017,768
From discontinued operations	**26,722**	(249,590)
	1,052,246	768,178

	Number of shares	
	2017	2016
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**1,309,315,000**	1,200,000,000

In January 2017, the number of ordinary shares increased by 100,000,000, as a result of injection by shareholders of the Company (note 33).

In April 2017, the Company was converted to a joint stock company total of 1,300,000,000 ordinary shares with par value of RMB1 each were issued and allotted to the respective shareholders of the Company according to the paid-in capital registered under these shareholders on that day. The conversion to ordinary shares with par value of RMB1 each is applied retrospectively for the year ended 31 December 2016 for the purpose of computation of basic earnings per share.

15. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (Continued)

In December 2017, the Company issued 433,334,000 H shares through IPO in the Main Board of the Stock Exchange of Hong Kong (note 33).

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plant and machinery	Motor vehicles	Office equipment and others	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2017						
At 31 December 2016 and at 1 January 2017:						
Cost	86,334	148,013	100,039	74,913	159,927	569,226
Accumulated depreciation	(8,574)	(69,756)	(69,024)	(52,723)	-	(200,077)
Net carrying amount	77,760	78,257	31,015	22,190	159,927	369,149
At 1 January 2017, net of accumulated depreciation	77,760	78,257	31,015	22,190	159,927	369,149
Additions	13,770	9,573	6,647	12,343	85,318	127,651
Disposals	(10,680)	(6,094)	(419)	(4,692)	(615)	(22,500)
Transfers	178,652	-	-	-	(178,652)	-
Disposal of subsidiaries (note 35)	-	-	(229)	(9)	-	(238)
Depreciation provided during the year	(12,162)	(7,134)	(10,082)	(10,455)	-	(39,833)
At 31 December 2017, net of accumulated depreciation	247,340	74,602	26,932	19,377	65,978	434,229
At 31 December 2017:						
Cost	264,194	151,284	102,642	80,642	65,978	664,740
Accumulated depreciation	(16,854)	(76,682)	(75,710)	(61,265)	-	(230,511)
Net carrying amount	247,340	74,602	26,932	19,377	65,978	434,229

16. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Buildings *RMB'000*	Plant and machinery *RMB'000*	Motor vehicles *RMB'000*	Office equipment and others *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
31 December 2016						
At 31 December 2015 and at 1 January 2016:						
Cost	103,925	310,489	105,124	79,436	135,755	734,729
Accumulated depreciation	(31,893)	(182,959)	(67,252)	(61,920)	–	(344,024)
Net carrying amount	72,032	127,530	37,872	17,516	135,755	390,705
At 1 January 2016, net of accumulated depreciation	72,032	127,530	37,872	17,516	135,755	390,705
Additions	61,824	23,877	9,811	22,603	75,789	193,904
Disposals	(16,696)	(13,647)	(1,050)	(6,194)	–	(37,587)
Transfers	–	–	–	5,853	(5,853)	–
Disposal groups classified as held for sale (note 12)	(30,783)	(41,142)	(3,386)	(5,477)	(45,764)	(126,552)
Depreciation provided during the year	(8,617)	(18,361)	(12,232)	(12,111)	–	(51,321)
At 31 December 2016, net of accumulated depreciation	77,760	78,257	31,015	22,190	159,927	369,149
At 31 December 2016:						
Cost	86,334	148,013	100,039	74,913	159,927	569,226
Accumulated depreciation	(8,574)	(69,756)	(69,024)	(52,723)	–	(200,077)
Net carrying amount	77,760	78,257	31,015	22,190	159,927	369,149

16. PROPERTY, PLANT AND EQUIPMENT (Continued)

As at 31 December 2017, certain of the Group's buildings with a net carrying amount of approximately RMB17,268,000 (2016: RMB570,000) were pledged to secure bank facilities granted to the Group (note 32).

As at 31 December 2017, certain of the Group's Construction in progress with a net carrying amount of approximately RMB42,988,000 (2016: Nil) were pledged to secure bank facilities granted to the Group (note 32).

17. INVESTMENT PROPERTY

	2017 ***RMB'000***	2016 *RMB'000*
Carrying amount at 1 January	**133,370**	174,003
Net gain/(loss) from fair value adjustments	**2,069**	(161)
Assets included in assets of disposal groups classified as held for sale (note 12)	**-**	(40,472)
Carrying amount at 31 December	**135,439**	133,370

Excluding one commercial property included in assets of disposal groups classified as held for sale in 2016, the Group's investment property represents one commercial property located in Baoding City of Hebei Province in Mainland China. The Group's investment property was revalued on 31 December 2017 by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, independent professionally qualified valuers.

The investment property is leased to a third party under an operating lease, further summary details of which are included in note 40 to the financial statements.

The Group's investment property with an aggregate carrying amount of RMB135,439,000 (2016: Nil) as at 31 December 2017 was pledged to secure the bank loans granted to the Group (note 32).

17. INVESTMENT PROPERTY (Continued)

Fair value hierarchy

The Group made recurring fair value measurement as at 31 December 2017 using significant unobservable inputs (level 3).

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

	Commercial property *RMB'000*
Carrying amount at 1 January 2016	174,003
Net loss from fair value adjustments recognised in other income and gains	(161)
Assets included in assets of disposal groups classified as held for sale	(40,472)
Carrying amount at 31 December 2016 and 1 January 2017	133,370
Net gain from fair value adjustments recognised in other income and gains	2,069
Carrying amount at 31 December 2017	135,439

17. INVESTMENT PROPERTY (Continued)

Below is a summary of the valuation technique used and the key inputs to the valuation of investment property:

	Valuation technique	Significant unobservable inputs	Range or weighted average 2017	2016
Office property	The term and reversion method	Term yield	-	4.00%
		Reversionary yield	-	4.50%
		Market rent (per square meter ("sq.m.") per annum ("p.a."))	-	42-45
Retail property	The term and reversion method	Term yield	**3.50%**	3.50%
		Reversionary yield	**4.50%**	4.50%
		Market rent (per square meter ("sq.m.") per annum ("p.a."))	**103-203**	103-203

The term and reversion method measures the fair value of the properties by taking into account the net rental income of the property derived from the existing leases and/or achievable in the existing market with due allowance for the reversionary income potential of the leases, which have been then capitalised to determine the fair value at an appropriate capitalisation rate.

The valuations of completed investment properties were based on the investment method by capitalisation of net rental income derived from the existing tenancies with allowance for the reversionary rental income potential of the properties.

Significant increases/decreases in estimated rental value per square metre in isolation would result in a significantly higher/lower fair value of investment property.

Generally, a change in the assumption made for the estimated rental value per square metre is accompanied by a directionally similar change in the development profit and an opposite change in the capitalisation rate.

18. PREPAID LAND LEASE PAYMENTS

	2017 **RMB'000**	2016 *RMB'000*
Carrying amount at 1 January	**38,221**	66,552
Amortisation for the year	**(863)**	(1,003)
Disposals	**-**	(10,522)
Carrying amount at 31 December	**37,358**	55,027
Assets included in assets of disposal groups classified held for sale (note 12)	**-**	(16,806)
Current portion	**(863)**	(824)
Non-current portion	**36,495**	37,397

The leasehold lands are situated in Mainland China and are held with lease terms of 30 to 50 years.

As at 31 December 2017, the Group's leasehold lands with a net carrying amount of nil (2016: RMB44,646,000) was pledged to secure the bank loans granted to the Group (note 32).

19. INVESTMENTS IN ASSOCIATES

	2017 **RMB'000**	2016 *RMB'000*
Share of net assets	**318,650**	79,091
Loans to associates	**72,409**	90,039

The borrowing from associate bears the annual interest rate of 4.9%, and will mature on 26 November 2018 (2016: Nil).

The Group's trade receivable and payable balances with the associates are disclosed in the note 42 to the financial statements, respectively.

19. INVESTMENTS IN ASSOCIATES (Continued)

Particulars of the principal associates are as follows:

Name	Particulars of issued shares held	Place of registration and business	Percentage of ownership interest attributable to the Group	Principal activity
Rongcheng Hengda Construction Investment Co., Ltd.*	Ordinary shares	The PRC/ Mainland China	29%	Construction contracting
Xiaoyan Culture Communication Co., Ltd.	Ordinary shares	The PRC/ Mainland China	31%	Exhibition service and culture transmission
Dalian Runtian Housing Development Co. Ltd.	Ordinary shares	The PRC/ Mainland China	15%	Infrastructure construction and landscaping construction
Baoding Zhucheng Real Estate Development Co., Ltd. ("BD Zhongcheng")	Ordinary shares	The PRC/ Mainland China	51%	Real estate development and operation, housing sales agency and rental agency
Chengdu New Era Tiancheng Property Co., Ltd. ("CD New Era")	Ordinary shares	The PRC/ Mainland China	30%	Real estate development and operation, housing sales agency and rental agency

* The equity shares of Rongcheng Hengda Construction Investment Co., Ltd. are partially held by the Company. The remaining companies are held through a wholly-owned subsidiary of the Company.

19. INVESTMENTS IN ASSOCIATES (Continued)

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	2017 RMB'000	2016 RMB'000
Share of the associates' (loss)/profit from continuing operations for the year	(3,559)	58,264
Share of the associates' total comprehensive (loss)/income	(3,559)	58,264
Aggregate carrying amount of the Group's investments in the associates	318,650	79,091

20. AVAILABLE-FOR-SALE INVESTMENTS

	2017 RMB'000	2016 RMB'000
Unlisted equity investments, at cost	488,500	148,500

As at 31 December 2017, the unlisted equity investments with a carrying value of RMB488,500,000 (2016: RMB148,500,000) were stated at cost less impairment because the range of reasonable fair value estimated is so significant that the directors are of the opinion that their fair value cannot be measured reliably. The Group does not intend to dispose of them in the near future.

21. DEFERRED TAX

	2017 RMB'000	2016 RMB'000
Gross deferred tax assets	**284,933**	278,830
Gross deferred tax liability	**(29,008)**	(28,611)
	255,925	250,219
Deferred tax assets included in the disposal groups classified as held for sale	**-**	2,257
Deferred tax liabilities included in the disposal groups classified as held for sale	**-**	(8,749)
	255,925	243,727

The movements in deferred tax assets and liability during the reporting period are as follows:

	2017				
	Losses available for offsetting against future taxable profits RMB'000	Provision and accruals RMB'000	Changes in fair value of investment properties RMB'000	Others RMB'000	Total RMB'000
Deferred tax assets/ (liabilities) at 1 January 2017	**74,095**	**179,060**	**(28,611)**	**25,675**	**250,219**
Deferred tax (charged)/ credited to profit or loss during the year	**(51,526)**	**74,411**	**(397)**	**(16,872)**	**5,706**
Gross deferred tax assets/ (liabilities) at 31 December 2017	**22,569**	**253,471**	**(29,008)**	**8,893**	**255,925**

21. DEFERRED TAX (Continued)

	2016				
	Losses available for offsetting against future taxable profits	Provision and accruals	Changes in fair value of investment properties	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Deferred tax assets/ (liabilities) at 1 January 2016	2,787	133,478	(37,085)	18,287	117,467
Deferred tax (charged)/ credited to profit or loss during the year	71,308	47,839	(275)	7,388	126,260
Assets included in the assets of disposal group classified as held for sale (Note 12)	–	(2,257)	8,749	–	6,492
Gross deferred tax assets/ (liabilities) at 31 December 2016	74,095	179,060	(28,611)	25,675	250,219

Certain subsidiaries of the Group had tax losses arising in Mainland China of RMB104,361,000 (2016: RMB87,674,000), as at 31 December 2017, that will expire in one to five years for offsetting against their future taxable profits. Deferred tax assets have not been recognised in respect of these losses as it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

22. SERVICE CONCESSION ARRANGEMENTS

As further explained in the accounting policy for "Service concession arrangements" set out in note 3 to the financial statements, the consideration paid by the Group for a service concession arrangement is accounted for as a financial asset (receivable under a service concession arrangement). The following is the summarised information of the financial asset component (receivables under service concession arrangements) with respect to the Group's service concession arrangements:

	2017 RMB'000	2016 RMB'000
Receivables under		
Service concession arrangements	42,278	1,442,294
Classified as held for sale (note 12)	–	(1,442,294)
	42,278	–

Note:

In respect of the Group's receivables under service concession arrangements, the various group companies have different credit policies, depending on the requirements of the locations in which they operate. Ageing of receivables under service concession arrangements is closely monitored in order to minimise any credit risk arising from the receivables.

An ageing analysis of the Group's receivables under service concession arrangements as at the end of the reporting period, based on the invoice date and net of impairment, is as follows:

	2017 RMB'000	2016 RMB'000
Unbilled:		
Non-current portion	42,278	–

23. INVENTORIES

	2017 RMB'000	2016 RMB'000
Raw materials	77,782	167,883

24. AMOUNTS DUE FROM/(TO) CONTRACT CUSTOMERS

Construction contracts

	2017 RMB'000	2016 RMB'000
Gross amounts due from contract customers	27,744,640	27,706,939
Gross amounts due to contract customers	(4,374,621)	(2,810,472)
	23,370,019	24,896,467
Contract costs incurred plus recognised profits less recognised losses	208,994,086	167,198,147
Less: Progress billings	(185,624,067)	(142,301,680)
	23,370,019	24,896,467

25. PROPERTIES UNDER DEVELOPMENT

	2017 RMB'000	2016 RMB'000
Carrying amount at 1 January	3,604,501	3,182,608
Decrease in relation to the disposal of subsidiaries	(974,975)	–
Additions	1,646,225	1,139,339
Transferred to completed properties held for sale	(1,701,712)	(717,446)
	2,574,039	3,604,501

As at 31 December 2017, certain of the Group's properties under development with a net carrying amount of approximately RMB125,566,000 (2016: RMB1,227,427,000) were pledged to secure bank facilities granted to the Group (note 32).

26. COMPLETED PROPERTIES HELD FOR SALE

	2017 RMB'000	2016 RMB'000
Carrying amount at 1 January	**816,426**	773,463
Decrease in relation to the disposal of subsidiaries	**(254,882)**	–
Transferred from properties under development	**1,701,712**	717,446
Transferred to cost of properties sold	**(1,521,809)**	(674,483)
	741,447	816,426

27. TRADE AND BILLS RECEIVABLES

Trade receivables mainly represented receivables from construction contracting services. The payment terms are stipulated in relevant contracts. The Group's trading terms with its debtors are mainly on credit, except for new debtors, where payment in advance is normally required. The credit period offered by the Group is generally one to three months. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade and bills receivables are non-interest-bearing.

	2017 RMB'000	2016 RMB'000
Trade receivables	**6,562,157**	11,465,571
Provision for impairment	**(531,918)**	(434,542)
Trade receivables, net	**6,030,239**	11,031,029
Bills receivable	**558,673**	252,750
	6,588,912	11,283,779
Portion classified as non-current assets	**(451,853)**	(506,404)
Current portion	**6,137,059**	10,777,375

27. TRADE AND BILLS RECEIVABLES (Continued)

At the end of the reporting period, the amounts of retentions held by debtors for contract works included in trade receivables for the Group are as follows:

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Retentions in trade receivables	**950,177**	1,121,013
Provision for impairment	**(31,558)**	(94,812)
Retentions in trade receivables, net	**918,619**	1,026,201
Portion classified as non-current assets	**(451,853)**	(506,404)
Current portion	**466,766**	519,797

An ageing analysis of the Group's trade receivables, other than retention receivables based on the billing date and net of provision for impairment of trade receivables, as at the end of the reporting period is as follows:

Trade receivables

	2017	2016
	RMB'000	*RMB'000*
Within 3 months	**1,689,894**	8,985,762
3 months to 6 months	**929,095**	824,483
6 months to 1 year	**900,917**	57,261
Over 1 year	**1,591,714**	137,322
	5,111,620	10,004,828

Retention receivables held by contract debtors arose from the construction work business and are settled within a period ranging from 2 years to 5 years after the completion of the construction work, as stipulated in the construction contracts. The due settlements of the Group's retention receivables as at the end of the reporting period are as follows:

27. TRADE AND BILLS RECEIVABLES (Continued)

Retention receivable

	2017 RMB'000	2016 RMB'000
Due within one year	**160,103**	156,548
Due after one year	**451,853**	506,404
	611,956	662,952

The movements in provision for impairment of trade receivables are as follows:

	2017 RMB'000	2016 RMB'000
At beginning of the year	**434,542**	327,271
Impairment losses recognised	**97,376**	116,255
Assets included in assets of disposal groups classified as held for sale	**-**	(8,984)
At end of the year	**531,918**	434,542

Included in the above provision for impairment of trade receivables are provisions for individually impaired trade receivables of RMB278,891,000 (2016: RMB237,107,000), with an aggregate carrying amount before provision of RMB278,891,000 (2016: RMB237,107,000).

As at 31 December 2017, certain trade and bills receivables of the Group with the a net carrying amount of approximately RMB38,876,000 (2016: RMB210,766,000) were pledged to secure certain bank facilities granted to the Group (note 32).

The individually impaired trade receivables relate to debtors that were in default in principal payments or were in financial difficulties and nil of the receivables is expected to be recovered.

27. TRADE AND BILLS RECEIVABLES (Continued)

An ageing analysis of the trade receivables, that are neither individually nor collectively considered to be impaired, is as follows:

	2017	2016
	RMB'000	*RMB'000*
Neither past due nor impaired	**611,956**	662,952

Receivables that were neither past due nor impaired relate to a large number of diversified debtors for whom that was no recent history of default.

Included in the Group's trade and bills receivables is the amount due from the Group's associates and fellow subsidiaries of RMB16,342,000 (2016: RMB23,037,000) which is repayable on credit terms similar to those offered to the major debtors of the Group.

Transferred financial assets that are not derecognised in their entirety

The Group endorsed certain bills receivable accepted by banks in Mainland China (the "Endorsed Bills") with a carrying amount of RMB307,073,000 (2016: RMB146,319,000) as at 31 December 2017, to certain of its suppliers in order to settle the trade payables due to such suppliers (the "Endorsement"). In the opinion of the directors, the Group has retained the substantial risks and rewards, which include default risks relating to such Endorsed Bills, and accordingly, it continued to recognise the full carrying amounts of the Endorsed Bills and the associated trade payables settled. Subsequent to the Endorsement, the Group did not retain any rights on the use of the Endorsed Bills, including the sale, transfer or pledge of the Endorsed Bills to any other third parties. The aggregate carrying amount of trade payables settled by the Endorsed Bills during the period to which the suppliers have recourse was RMB307,073,000 (2016: RMB146,319,000) as at 31 December 2017.

27. TRADE AND BILLS RECEIVABLES (Continued)

Transfer of financial assets that are derecognised in their entirety

The Group endorsed certain bills receivable accepted by banks in Mainland China (the "Derecognised Bills") to certain of its suppliers in order to settle the trade payables due to such suppliers with a carrying amount in aggregate of RMB155,915,000 (2016: RMB35,107,000) as at 31 December 2017. The Derecognised Bills have a maturity of one to six months at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills have a right of recourse against the Group if the PRC banks default (the "Continuing Involvement"). In the opinion of the Directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills and the associated trade payables. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's Continuing Involvement in the Derecognised Bills are not significant.

During the year, the Group has not recognised any gain or loss on the date of transfer of the recognised bills. No gains or losses were recognised from the Continuing Involvement, both during the year or cumulatively.

28. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2017	2016
	RMB'000	*RMB'000*
Deposits and other receivables	**3,988,832**	2,563,580
Provision for impairment	**(328,170)**	(49,916)
Deposits and other receivables, net	**3,660,662**	2,513,664
Prepayment to suppliers	**1,947,561**	3,623,043
Dividend receivables	**-**	12,500
Other current assets	**200,581**	517,332
	5,808,804	6,666,539

28. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (Continued)

Included in other receivables, loans provided to joint venture, associates, key management personnel and fellow subsidiary as at 31 December 2017 totalled RMB805,534,000 (2016: RMB187,939,000), which were disclosed in note 42 (c).

Amounts due from joint ventures, associates, key management and fellow subsidiaries included in prepayments, deposits and other receivables are non-interest-bearing and have no fixed term of repayment.

The movements in provision for impairment of deposits and other trade receivables are as follows:

	2017	2016
	RMB'000	*RMB'000*
At beginning of the year	**49,916**	42,979
Impairment losses recognised	**278,254**	10,776
Assets included in assets of disposal groups classified as held for sale	**-**	(3,839)
At end of the year	**328,170**	49,916

Included in the above provision for impairment of other receivables are provisions for individually impaired other receivables of approximately RMB237,746,000 (2016: RMB21,372,000), with an aggregate carrying amount before provision of approximately RMB237,746,000 (2016: RMB21,372,000) as at 31 December 2017.

An ageing analysis of the deposits and other receivables, that are neither individually nor collectively considered to be impaired, is as follows:

	2017	2016
	RMB'000	*RMB'000*
Neither past due nor impaired	**150,198**	961,310

None of the balances, except for the deposits and other receivables disclosed above, is either past due or impaired, as they relate to balances for which there was no recent history of default.

29. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2017 RMB'000	2016 RMB'000
Cash and bank balances	4,708,203	4,621,979
Time deposits	802,456	1,051,819
	5,510,659	5,673,798
Less: Pledged time deposits:		
Pledged for bank loans	(114,933)	(873,971)
Pledged for bills payable	(85,562)	(115,241)
Pledged for others	(22,145)	(15,779)
Cash and cash equivalents	5,288,019	4,668,807

The RMB is not freely convertible into other currencies. However, under Mainland China's prevailing rules and regulations over foreign exchange, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

30. TRADE AND BILLS PAYABLES

An ageing analysis of the trade and bills payables, as at the end of the reporting period, based on the invoice date, is as follows:

	2017	2016
	RMB'000	*RMB'000*
Within 6 months	**15,763,858**	20,487,989
6 months to 1 year	**7,946,332**	14,385,480
1 to 2 years	**5,459,279**	3,040,337
2 to 3 years	**1,215,519**	1,729,461
Over 3 years	**464,752**	648,040
	30,849,740	40,291,307

The trade and bills payables are non-interest-bearing.

Included in the trade and bills payables are trade payables of RMB532,967,000 (2016: Nil) due to a fellow subsidiary.

31. OTHER PAYABLES, ADVANCES FROM CUSTOMERS AND ACCRUALS

	2017	2016
	RMB'000	*RMB'000*
Advances from customers	**1,873,287**	2,882,729
Accrued salaries, wages and benefits	**108,180**	71,419
Other taxes payable	**2,386,308**	2,227,100
Other payables	**2,586,257**	2,406,627
Dividend payable	**120,000**	–
Interest payable	**-**	115,801
	7,074,032	7,703,676

Other payables are non-interest-bearing.

32. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2017			2016		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank unsecured	4.7-9.5	2018	775,600	4.8-9.0	2017	443,000
Bank secured	4.7-9.6	2018	178,382	4.7-9.0	2017	464,013
Other borrowings unsecured	7.0-10.0	2018	469,880	–	–	–
Other borrowings secured	10.0	2018	340,000	–	2017	1,180,570
			1,763,862			2,087,583
Current portion of long term						
Bank unsecured	10.8	2018	33,500	–	–	–
Bank secured	-	-	-	4.4-8.0	2017	699,930
Other borrowings unsecured	10.0	2018	50,000	4.3	2017	92,000
Other borrowings secured	-	-	-	8.0-12.5	2017	436,747
			83,500			1,228,677
			1,847,362			3,316,260
Non-current						
Bank unsecured	6.1-15.0	2019-2022	736,780	6.0	2018	148,000
Bank secured	10.0	2020	50,000	4.8-10.8	2018-2022	212,280
Other borrowings unsecured	7.0	2020	935,000	–	–	–
Other borrowings secured	-	-	-	5.7	2018	180,000
			1,721,780			540,280
			3,569,142			3,856,540

32. INTEREST-BEARING BANK AND OTHER BORROWINGS (Continued)

	2017 RMB'000	2016 RMB'000
Analysed into:		
Bank loans repayable:		
Within one year	**987,482**	1,606,943
In the second year	**309,000**	152,500
In the third to fifth years, inclusive	**477,780**	–
Beyond five years	**–**	207,780
	1,774,262	1,967,223
Other borrowings repayable:		
Within one year	**859,880**	1,709,317
In the second year	**–**	180,000
In the third to fifth years, inclusive	**905,000**	–
Beyond five years	**30,000**	–
	1,794,880	1,889,317
	3,569,142	3,856,540

32. INTEREST-BEARING BANK AND OTHER BORROWINGS (Continued)

Notes:

(a) The Group's overdraft facilities amounted to RMB5,158,000,000 (2016: RMB4,386,770,000), of which RMB2,586,976,000 (2016: RMB4,074,725,000) had been utilised as at the end of the reporting period.

(b) Certain of the Group's bank loans are secured by:

(i) mortgages over the Group's investment properties situated in Mainland China, which had an aggregate carrying value at the end of the reporting period of RMB135,439,000 (2016: Nil);

(ii) mortgages over the Group's buildings, which had an aggregate carrying value at the end of the reporting period of approximately RMB17,268,000 (2016: RMB570,000);

(iii) mortgages over the Group's prepaid land lease, which had an aggregate carrying value at the end of the reporting period of approximately nil (2016: RMB44,646,000);

(iv) mortgages over the Group's properties under development, which had an aggregate carrying value at the end of the reporting period of approximately RMB125,566,000 (2016: RMB1,227,427,000);

(v) mortgages over the Group's trade and bills receivables, which had an aggregate carrying value at the end of the reporting period of approximately RMB38,876,000 (2016: RMB210,766,000); and

(vi) mortgages over the Group's construction in progress, which had an aggregate carrying value at the end of the reporting period of approximately RMB42,988,000 (2016: Nil).

In addition, the controlling shareholder and other related parties have jointly guaranteed certain of the Group's bank loans up to nil (2016: RMB127,500,000) as at the end of the reporting period.

33. SHARE CAPITAL

	2017 *RMB'000*	2016 *RMB'000*
Issued and fully paid:		
1,733,334,000 (2016: 1,200,000,000) ordinary shares	**1,733,334**	1,200,000

A summary of movements in the Company's share capital are as follows:

	Share capital	
	2017 *RMB'000*	2016 *RMB'000*
At 1 January	**1,200,000**	1,200,000
Capital injection by shareholders (i)	**100,000**	–
Issue of new shares in initial public offering (ii)	**433,334**	–
At 31 December	**1,733,334**	1,200,000

Notes:

(i) In January 2017, the Company's paid-in capital increased to RMB1,300,000,000 by capital injection of shareholders. The Company was a limited liability company and converted into a joint stock company with limited liability in April 2017. The Company's equity of RMB1,554,254,000 was converted into share capital with an amount of RMB1,300,000,000 and capital reserve with an amount of RMB254,254,000 of the joint stock company with limited liability. The capital of the Company upon conversion was RMB1,300,000,000, which was divided into 1,300,000,000 ordinary shares of RMB1 each.

(ii) In December 2017, the Company issued 433,334,000 H shares through IPO at the price of HK$4.46 per ordinary share. After closed, the capital of the Company increased to RMB1,733,334,000 which was divided into 1,733,334,000 ordinary shares of RMB1 each.

34. RESERVES

Statutory surplus reserve

In accordance with the PRC Company Law, certain subsidiaries of the Group which are domestic enterprises are required to allocate 10% of their profit after tax, as determined in accordance with the relevant PRC accounting standards, to their respective statutory surplus reserves until the reserves reach 50% of their respective registered capital. Subject to certain restrictions set out in the PRC Company Law, part of the statutory surplus reserve may be converted to share capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.

The amounts of the Group's reserves and the movements therein for the reporting period are presented in the consolidated statements of changes in equity.

35. DISPOSAL OF SUBSIDIARIES

On 25 June 2016, the Group disposed of its entire equity interest in its subsidiary, Baoding Tiancheng Property Development Co., Ltd., for a consideration of RMB1,000,000.

On 19 December 2016, the Group disposed of its entire equity interest in its subsidiary, Baoding Hanhua New Energy Technology Co., Ltd., for a consideration of RMB18,500,000.

On 9 August 2017, the Group disposed of 70% equity interest in Chengdu New Era Tiancheng Property Development Co., Ltd. ("CD New Era") at a consideration of RMB84,000,000. CD New Era is principally engaged in real estate development and operation. The disposal was completed in August 2017 and the Group recognised a gain on disposal of approximately RMB57,624,000. After the completion of the disposal, CD New Era became an associate of the Group with the Group holding a 30% equity interest.

On 4 August 2017, the Group disposed of 49% equity interest in Baoding Zhucheng Real Estate Development Co., Ltd. ("BD Zhucheng") at a consideration of RMB175,661,000. BD Zhucheng is principally engaged in real estate development and operation. The disposal was completed in August 2017 and the Group recognised a gain on disposal of approximately RMB49,445,000. After completion of the disposal, BD Zhucheng became an associate of the Group with the Group with 51% equity interest.

35. DISPOSAL OF SUBSIDIARIES (Continued)

Immediately after the disposals, the Group recognised the investments retained in the two entities as associates at their fair values at the date the control was lost.

	Note	2017 RMB'000	2016 RMB'000
Net assets disposed of:			
Property, plant and equipment		238	135
Construction in progress		–	10,271
Cash and cash equivalents		4,455	1,522
Prepayments, deposit and other receivables		44,951	17,389
Prepaid land lease payments		–	6,164
Deferred tax assets		–	1,685
Properties under development		974,975	–
Completed properties held for sale		254,882	–
Trade and bills payables		(632)	–
Other payables, advance from customers and accruals		(159,063)	(22,239)
Loan from the Group		(724,096)	–
Non-controlling interests		–	(3,373)
		395,710	11,554
Fair value of retained investments		(243,118)	–
Gain on disposal of subsidiaries	6	107,069	7,946
		259,661	19,500
Satisfied by:			
Cash		259,661	19,500

35. DISPOSAL OF SUBSIDIARIES (Continued)

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2017 RMB'000	2016 RMB'000
Cash consideration	259,661	19,500
Cash and bank balances disposed of	(4,455)	(1,522)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	255,206	17,978

36. FINANCIAL GUARANTEE CONTRACTS

At the end of the reporting period, contingent liabilities provided for in the financial statements were as follows:

	2017 RMB'000	2016 RMB'000
Guarantees given to banks in connection with facilities granted to:		
– Third parties	354,020	1,196,280

As at 31 December 2017, the bank facilities granted to third parties subject to guarantees given to banks by the Group were utilised to the extent of approximately RMB334,020,000 (2016: RMB1,124,980,000).

The balances of financial guarantee contracts are as follows:

	2017 RMB'000	2016 RMB'000
	14,174	20,104

37. PLEDGE OF ASSETS

Details of the Group's assets pledged for the Group's bank loans and overdrafts are included in note 32 to the financial statements.

38. CONTINGENT LIABILITIES

The Group has provided guarantees in respect of mortgage facilities for certain purchasers of the Group's properties amounting to approximately RMB1,705,192,000 (2016: RMB2,304,820,000), as at 31 December 2017.

The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends upon the issuance of real estate ownership certificates to the purchasers, which will generally be available within one to two years after the purchasers take possession of the relevant properties.

The directors of the Group consider that the fair value of the guarantees is not significant, and in case of default on payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalties. Therefore, no provision for the guarantees has been made in the financial statements at the end of the reporting period.

39. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOW

Reconciliation of liabilities arising from financing activities:

	At 31 December 2016 *RMB'000*	Cash flows *RMB'000*	**At 31 December 2017** ***RMB'000***
Interest-bearing bank and other borrowings	3,856,540	(287,398)	**3,569,142**
Loans from related parties	58,960	(58,960)	**-**

40. OPERATING LEASE ARRANGEMENTS

As lessor

The Group leases its investment property (note 17) under operating lease arrangements, with leases negotiated for terms ranging from 1 to 8 years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 31 December 2017, the Group had the following total future minimum lease receivables under non-cancellable operating leases falling due as follows:

	2017	2016
	RMB'000	*RMB'000*
Within one year	**5,523**	7,067
In the second to fifth years, inclusive	**12,249**	17,714
After five years	**5,667**	7,667
	23,439	32,448

During the year, the Group recognised nil (2016: RMB35,000) in respective of contingent rental receivables.

As lessee

At 31 December 2017, the Group had the following total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2017	2016
	RMB'000	*RMB'000*
Within one year	**10,164**	4,925
In the second to fifth years, inclusive	**9,266**	7,066
After five years	**5,778**	11,026
	25,208	23,017

41. COMMITMENTS

In addition to the operating lease commitments detailed in note 40 above, the Group had the following commitments at the end of the reporting period:

	2017	2016
	RMB'000	*RMB'000*
Contracted, but not provided for:		
Properties under development	**419,842**	1,338,916
Property, plant and equipment	**5,403**	8,298
	425,245	1,347,214

42. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

		2017	2016
	Notes	***RMB'000***	*RMB'000*
Joint venture			
Interest-bearing borrowings provided to	*(i)*	**51,500**	6,000
Interest income		**4,883**	10,900
Repayment of the borrowings provided to	*(i)*	**149,000**	–
Associates			
Construction contracting services provided to	*(ii)*	**27,483**	10,104
Purchase of properties	*(ii)*	**7,619**	–
Interest-bearing borrowing from	*(iii)*	**92,000**	–
Repayment of interest-bearing borrowing		**92,000**	–
Repayment of the borrowing provided to		**90,039**	30,000
Interest expense		**3,925**	3,697
Interest income		**-**	10,966

42. RELATED PARTY TRANSACTIONS (Continued)

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year: (Continued)

	Notes	2017 RMB'000	2016 RMB'000
Key management personnel			
Sale of properties	(ii)	4,592	–
Interest-bearing borrowing from	(iv)	–	8,040
Repayment of interest-bearing borrowing from		58,960	1,240
Repayment of the borrowing provided to		400	–
Advance to		–	200
Interest expense		–	5,216
Fellow Subsidiary			
Construction contracting services provided to	(ii)	20,547	–
Purchase of goods and service	(ii)	1,919,063	–
Purchase of rental service from	(ii)	5,994	–
Interest-bearing borrowing from	(v)	3,175,000	–
Repayment of interest-bearing borrowing from		2,270,000	–
Advance to		2,940	–
Repayment of advance to		1,545	–
Interest expense		74,444	–

42. RELATED PARTY TRANSACTIONS (Continued)

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year: (Continued)

Notes:

(i) On 18 May 2017, the Group provided a loan of RMB51,500,000 to the a joint venture which bears the annual interest rate of 15% and received the repayment of RMB149,000,000 in 2017.

(ii) These transactions were carried out in accordance with the terms and conditions mutually agreed by the parties involved.

(iii) The borrowing from an associate bears interest at an annual rate of 4.9%, and will mature on 26 November 2018.

(iv) The borrowing from key management personnel bears interest at an annual rate of approximately 10% and are repayable on demand.

(v) On 24 March and 27 May 2017, the Group borrowed loans of RMB960,000,000 and RMB950,000,000 from a fellow subsidiary representatively which bear the annual interest rate of 10% and repaid RMB960,000,000 and RMB950,000,000 in 2017.

On 18 August 2017, the Group borrowed a loan of RMB1,265,000,000 from a fellow subsidiary representatively which bears the annual interest rate of 6.95% and repaid RMB360,000,000 in 2017, the remaining of the borrowing will mature in 2020.

(b) Other transactions with related parties

As at 31 December 2017, the Group's interest-bearing bank and other borrowings of nil (2016: RMB127,500,000) were guaranteed or jointly guaranteed by the controlling shareholder and other related parties of our Group.

42. RELATED PARTY TRANSACTIONS (Continued)

(c) Outstanding balances with related parties:

	2017 RMB'000	2016 RMB'000
Trade and bills receivables:		
Associates	15,923	23,037
Fellow Subsidiary	419	–
Amounts due from contract customers:		
Associates	17,085	9,447
Fellow subsidiary	9,997	–
Prepayments, deposits and other receivables:		
Joint venture	–	97,500
Associates	732,571	90,039
Key management personnel	–	400
Fellow subsidiary	72,600	–
Amounts due to contract customers:		
Joint venture	219	–
Associates	5,270	405
Advances from customers:		
Key management personnel	1,903	5,222
Other payables:		
Key management personnel	–	58,960
Fellow subsidiary	16,451	–
Interest-bearing bank and other borrowings:		
Associates	92,000	92,000
Fellow subsidiary	905,000	–
Accounts payable:		
Fellow subsidiary	552,343	–

43. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of the categories of financial instruments as at the end of the reporting period are as follows:

	2017 *RMB'000*	2016 *RMB'000*
Financial assets		
Available-for-sale financial investments:		
Available-for-sale investments	**488,500**	148,500
Loans and receivables:		
Trade and bills receivables	**6,588,912**	11,283,779
Financial assets included in deposits and other receivables	**3,660,662**	2,513,664
Pledged deposits	**222,640**	1,004,991
Cash and cash equivalents	**5,288,019**	4,668,807
	16,248,733	19,619,741
Financial liabilities		
Financial liabilities at amortised cost:		
Trade and bills payables	**32,862,741**	40,291,307
Financial liabilities included in other payables, advances from customers and accruals	**2,706,257**	2,522,428
Interest-bearing bank and Other borrowings	**3,569,142**	3,856,540
	39,138,140	46,670,275

44. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to their fair values, are as follows:

	Carrying amounts		Fair values	
	2017	2016	**2017**	2016
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Financial liabilities				
Bank and other borrowings, non-current portion	**1,721,780**	540,280	**1,446,386**	514,552

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, the current portion of trade and bills receivables, trade payables, the current interest-bearing bank loans and other borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

The fair values of the non-current portion of trade and bills receivables and the non-current portion of interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for the non-current portion of interest-bearing bank and other borrowings as at the end of the reporting period was assessed to be insignificant.

The Group's principal financial instruments comprise cash and cash equivalents and pledged deposits. The main purpose of these financial instruments is to support the Group's operations. The Group has various other financial assets and liabilities such as trade and bills receivables and trade and bills payables which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk. As the Group's exposure to these risks is kept to minimum, the Group has not used any derivatives and other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes. The board of directors reviews and agrees policies for managing these risks and they are summarised below.

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to its interest-bearing bank and other borrowings. The Group does not use derivative financial instruments to hedge its interest rate risk.

The following table demonstrates the sensitivity to a reasonably possible change in interest rate, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings).

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax *RMB'000*
Year ended 31 December 2017		
The benchmark deposit and lending rate of RMB	**100**	**(21,490)**
The benchmark deposit and lending rate of RMB	**(100)**	**21,490**
Year ended 31 December 2016		
The benchmark deposit and lending rate of RMB	100	(32,906)
The benchmark deposit and lending rate of RMB	(100)	32,906

Credit risk

The carrying amounts of cash and cash equivalents, pledged deposits, trade and bills receivables, and financial assets included in prepayments, deposits and other receivables represent the Group's maximum exposure to credit risk in relation to financial assets. Substantially all of the Group's cash and cash equivalents and pledged deposits are held in major financial institutions located in Mainland China, which management believes are of high credit quality. The Group has policies to control the size of the deposits to be placed with various reputable financial institutions according to their market reputation, operating scale and financial background with a view to limiting the amount of credit exposure to any single financial institution.

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk (Continued)

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade and bills receivables are disclosed in note 27 to the financial statements.

Liquidity risk

The liquidity of the Group is primarily dependent on its ability to maintain adequate cash inflows from operations to meet its debt obligations as they fall due, and its ability to obtain external financing to meet its committed future capital expenditure.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	Within 1 year *RMB'000*	1 to 5 years *RMB'000*	Over 5 years *RMB'000*	Total *RMB'000*
31 December 2017				
Trade and bills payables	30,849,740	-	-	30,849,740
Financial liabilities included in other payables, advances from customers and accruals	2,706,257	-	-	2,706,257
Interest-bearing bank and other borrowings	1,896,918	1,698,133	30,150	3,625,201
Guarantees given to banks in connection with facilities granted to third parties	334,020	-	-	334,020
Total	35,786,935	1,698,133	30,150	37,515,218

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk (Continued)

	Within 1 year RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
31 December 2016				
Trade and bills payables	40,291,307	–	–	40,291,307
Financial liabilities included in other payables, advances from customers and accruals	2,522,428	–	–	2,522,428
Interest-bearing bank and other borrowings	3,450,605	389,434	229,227	4,096,266
Guarantees given to banks in connection with facilities granted to third parties	1,124,980	–	–	1,124,980
	47,389,320	389,434	229,227	48,007,981

Capital management

The Group's primary objective for managing capital is to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns to shareholders and benefits to other stakeholders, by pricing services commensurately with the level of risk.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the year ended 31 December 2017.

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Capital management (Continued)

The Group monitors capital using a gearing ratio, which is total interest-bearing bank and other borrowings divided by total equity. Total equity includes the equity attributable to owners of the parent and non-controlling interests stated in the consolidated statements of financial position.

The Group's strategy is to maintain the gearing ratio at a healthy capital level in order to support its business. The principal strategies adopted by the Group include, but are not limited to, reviewing future cash flow requirements and ability to meet debt repayment schedules when they fall due, maintaining a reasonable level of available banking facilities and adjusting investment plans and financing plans, if necessary, to ensure that the Group has a reasonable level of capital to support its businesses. The gearing ratios as at the end of the reporting period are as follows:

	2017	2016
	RMB'000	*RMB'000*
Interest-bearing bank and other borrowings	**3,569,142**	3,856,540
Total equity	**4,311,309**	3,089,678
Gearing ratio	**83%**	125%

46. EVENT AFTER THE REPORTING PERIOD

On 5 January 2018, the Company exercised partially the over-allotment option in respect of additional 28,049,500 H shares. The over-allotment shares were issued at HK$4.46 per H share.

47. STATEMENTS OF FINANCIAL POSITIONS OF THE COMPANY

	2017	2016
	RMB'000	*RMB'000*
NON-CURRENT ASSETS		
Property, plant and equipment	**129,611**	130,541
Investment properties	**135,439**	133,370
Prepaid land lease payments	**674**	776
Investments in subsidiaries	**1,293,224**	1,567,638
Investments in associates	**28,922**	29,044
Deferred tax assets	**131,512**	118,253
Trade receivables	**419,895**	484,038
Available-for-sale investments	**488,500**	148,500
Total non-current assets	**2,627,777**	2,612,160
CURRENT ASSETS		
Prepaid land lease payments	**64**	25
Inventories	**61,898**	64,016
Amounts due from contract customers	**21,423,921**	22,986,729
Trade and bills receivables	**4,302,712**	7,653,951
Prepayments, deposits and other receivables	**5,479,968**	6,085,476
Pledged deposits	**96,919**	745,179
Cash and cash equivalents	**4,461,269**	3,684,966
	35,826,751	41,220,342
Assets of a disposal group classified as held for sale	**-**	807,997
Total current assets	**35,826,751**	42,028,339

47. STATEMENTS OF FINANCIAL POSITIONS OF THE COMPANY

(Continued)

	2017 RMB'000	2016 RMB'000
CURRENT LIABILITIES		
Trade and bills payables	23,203,497	32,424,617
Amounts due to contract customers	3,828,220	2,223,653
Other payables, advances from customers and accruals	4,699,916	3,704,728
Interest-bearing bank and other borrowings	1,050,542	2,523,013
Tax payable	482,241	404,391
Financial guarantee contract	75,369	250,267
	33,339,785	41,530,669
Liabilities of a disposal group classified as held for sale	-	100,019
Total current liabilities	33,339,785	41,630,688
NET CURRENT ASSETS	2,486,966	397,651
TOTAL ASSETS LESS CURRENT LIABILITIES	5,114,743	3,009,811
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	1,175,000	298,000
Total non-current liabilities	1,175,000	298,000
Net assets	3,939,743	2,711,811
EQUITY		
Share capital	1,733,334	1,200,000
Reserves (note)	2,206,409	1,511,811
Total equity	3,939,743	2,711,811

47. STATEMENTS OF FINANCIAL POSITIONS OF THE COMPANY (Continued)

Note:

A summary of the Company's reserves are as follows:

	Capital reserve *RMB'000*	Statutory surplus reserve *RMB'000*	Special reserve *RMB'000*	Retained profits *RMB'000*	Total *RMB'000*
Balance at 1 January 2016	–	159,220	–	525,844	658,064
Profit and total comprehensive income for the year	–	–	–	841,597	841,597
Appropriation to surplus reserve	–	84,160	–	(84,160)	–
Dividends declared	–	–	–	(14,850)	(14,850)
Transfer to special reserve	–	–	580,217	(580,217)	–
Utilisation of special reserve	–	–	(580,217)	580,217	–
	–	243,380	–	1,268,431	1,511,811
At 31 December 2016 and 1 January 2017	**–**	**243,380**	**–**	**1,268,431**	**1,511,811**
Profit and total comprehensive income for the year	**–**	**–**	**–**	**1,211,726**	**1,211,726**
Appropriation to surplus reserve	**–**	**84,664**	**–**	**(84,664)**	**–**
Dividends declared	**–**	**–**	**–**	**(1,651,400)**	**(1,651,400)**
Capitalisation of retained profits and statutory surplus reverse	**254,254**	**(253,511)**	**–**	**(743)**	**–**
Issue of new shares through IPO	**1,134,272**	**–**	**–**	**–**	**1,134,272**
Transfer to special reserve	**–**	**–**	**634,718**	**(634,718)**	**–**
Utilisation of special reserve	**–**	**–**	**(634,718)**	**634,718**	**–**
At 31 December 2017	**1,388,526**	**74,533**	**–**	**743,350**	**2,206,409**

48. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 26 March 2018.

PROPERTIES UNDER DEVELOPMENT/PROPERTIES FOR SALE

Location	Use	Site area (sq.m.)	Gross floor area (sq.m.)	Stage of completion	Expected completion date	Attributable interest of the Group
Project Hongshan Manor, Baoding, Hebei Province, Mainland China	Residential	116,056	162,532	Construction completed	N/A	100%
Project Hongyue Guoji, Baoding, Hebei Province, Mainland China	Commercial/ residential	6,876	60,606	Construction completed	N/A	100%
Project Zhongcheng Jingdian, Baoding, Hebei Province, Mainland China	Residential	58,643	247,383	Construction completed	N/A	100%
Project Zhongcheng Zuoan, Chengde, Hebei Province, Mainland China	Commercial/ residential	32,532	82,157	Foundation work in progress	March 2021	100%
Project Langton Manor, Zhangjiakou, Hebei Province, Mainland China	Commercial/ residential	78,334	321,114	Foundation work in progress	December 2018	100%
Project Golden Sunshine, Chengde, Hebei Province, Mainland China	Commercial/ residential	198,458	345,738	Construction completed	N/A	100%

FOUR YEAR FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last four financial years, as extracted from the published audited financial statements, is set out below.

	Year ended 31 December			
	2017	2016	2015	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
RESULTS				
CONTINUING OPERATIONS				
REVENUE	**41,177,335**	38,609,402	27,215,650	24,859,136
Cost of sales	**(38,946,373)**	(36,726,588)	(26,199,569)	(24,115,444)
Gross profit	**2,230,962**	1,882,814	1,016,081	743,692
Other income and gains	**381,914**	201,751	188,182	193,554
Selling and distribution costs	**(39,300)**	(65,955)	(13,238)	(20,135)
Administrative expenses	**(423,257)**	(325,698)	(252,293)	(238,489)
Other expenses	**(399,368)**	(212,882)	(59,523)	(78,406)
Finance costs	**(182,537)**	(230,343)	(186,476)	(121,920)
Share of profits and losses of:				
Associates	**(3,559)**	58,264	19,242	(6,366)
PROFIT BEFORE TAX	**1,564,855**	1,307,951	711,975	471,930
Income tax expense	**(497,449)**	(257,220)	(168,926)	(112,528)
PROFIT FOR THE YEAR	**1,067,406**	1,050,731	543,049	359,402
DISCONTINUED OPERATIONS				
Profit/(loss) for the year from discontinued operations	**26,722**	(237,128)	(132,816)	(8,091)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**1,094,128**	813,603	410,233	351,311
Attributable to:				
Owners of the parent	**1,052,246**	768,178	406,277	358,486
Non-controlling interests	**41,882**	45,425	3,956	(7,175)
	1,094,128	813,603	410,233	351,311

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

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

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

DEFINITIONS

In this report, unless the context otherwise requires, the following terms shall have the following meanings:

"Articles of Association" or "Articles"	the articles of association of the Company
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Audit Committee"	the Audit Committee of the Board
"Baoding Tianli"	Baoding Tianli Labor Service Co., Ltd. (保定天力勞務有限公司), a limited liability company incorporated in the PRC on 27 November 2001, which is a company indirectly owned as to 75% by a controlling shareholder of the Company as at the Latest Practicable Date, thus a connected person of the Company
"Baoding Zhongcheng"	Baoding Zhongcheng Investment Management Co., Ltd. (保定中誠投資管理有限公司), a limited liability company incorporated in the PRC on 20 September 2007, which is a subsidiary wholly owned by the Company as at the Latest Practicable Date
"Beijing-Tianjin-Hebei Region"	an economic region in China comprising Beijing, Tianjin, and Hebei Province
"Belt and Road Initiative"	a development strategy and framework, proposed by the PRC that focuses on connection and cooperation among countries primarily in Eurasia, which consists of the land-based "Silk Road Economic Belt" and oceangoing "Maritime Silk Road"
"Board" or "Board of Directors"	the board of Directors of the Company
"Board Committee(s)"	collectively, the Remuneration and Appraisal Committee, the Audit Committee and the Nomination Committee
"Board of Supervisors"	the board of Supervisors of the Company
"CASBE"	Chinese Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC

"China" or "PRC"	the People's Republic of China, excluding, for the purpose of this report, Hong Kong, Macau and Taiwan
"Company" or "Hebei Construction Group"	Hebei Construction Group Corporation Limited, a joint stock company incorporated in the PRC with limited liability on 7 April 2017, whose H Shares of which were listed on the Main Board of the Hong Kong Stock Exchange on 15 December 2017 (Stock Code: 1727). Unless the context otherwise requires, it shall include its predecessor, Hebei Construction Group Co., Ltd. (河北建設集團有限公司) (a limited liability company established under the laws of the PRC on 29 September 1997)
"Company Law"	Company Law of the People's Republic of China (中華人民共和國公司法), as amended and adopted by the Standing Committee of the Tenth National People's Congress on 27 October 2005 and effective on 1 January 2006, as amended, supplemented or otherwise modified from time to time, which was further amended on 28 December 2013 to take effective on 1 March 2014
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"connected transaction(s)"	has the meaning ascribed to it under the Hong Kong Listing Rules, unless the context requires otherwise
"Controlling Shareholder(s)"	has the meaning ascribed to it under the Hong Kong Listing Rules and as at the Latest Practicable Date refers to Mr. Li Baoyuan, Qianbao Investment and Zhongru Investment
"Corporate Governance Code"	the corporate governance code set out in Appendix 14 Corporate Governance Code and Corporate Governance Report of the Hong Kong Listing Rules
"Director(s)"	the director(s) of the Company
"Domestic Shares"	ordinary Share(s) of the Company, with a nominal value of RMB1.00 each, which are subscribed for or credited as paid in Renminbi and are unlisted Shares which are currently not listed or traded on any stock exchange

"EIT"	PRC Enterprise Income Tax
"Group" or "we" or "us"	the Company and its subsidiaries (or the Company and any one or more of its subsidiaries, as the context may require), or (as the context may require) in respect of the period before the Company becomes the holding company of its present subsidiaries, such subsidiaries as if they were the Company's subsidiaries at that time
"H Shares"	overseas listed foreign Shares in the ordinary Shares of the Company with a nominal value of RMB1.00 each, which are to be subscribed for and traded in HK dollars and are to be listed on the Hong Kong Stock Exchange
"H Share Registrar in Hong Kong"	Tricor Investor Services Limited
"HCG Tianchen Construction Engineering"	Hebei Construction Group Tianchen Construction Engineering Co., Ltd. (河北建設集團天辰建築工程有限公司), a limited liability company incorporated in the PRC on 26 December 1997, which was owned as to 86.96% and 13.04% by the Company and Baoding Zhongcheng, a subsidiary of the Company, respectively, as at the Latest Practicable Date
"HCG Garden Engineering"	Hebei Construction Group Garden Engineering Co., Ltd. (河北建設集團園林工程有限公司), a limited liability company incorporated in the PRC on 26 December 2006, which is an indirect wholly-owned subsidiary of the controlling shareholder of the Company as at the Latest Practicable Date, thus a connected person of the Company
"HCG Installment Engineering"	Hebei Construction Group Installment Engineering Co., Ltd. (河北建設集團安裝工程有限公司), a limited liability company incorporated in the PRC on 10 August 2004, which was owned as to 61.11% and 38.89% by the Company and Baoding Zhongcheng, a subsidiary of the Company, respectively, as at the Latest Practicable Date
"HCG Zhuocheng Road and Bridge Engineering"	Hebei Construction Group Zhuocheng Road and Bridge Engineering Co., Ltd. (河北建設集團卓誠路橋工程有限公司), a limited liability company incorporated in the PRC on 6 January 1998, and owned as to 95.24% and 4.76% by the Company and Baoding Zhongcheng, a subsidiary of the Company, respectively, as at the Latest Practicable Date

"HK$" or "HK dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Stock Exchange" or "Stock Exchange"	the Stock Exchange of Hong Kong Limited
"IFRSs"	International Financial Reporting Standards which include standards and interpretations promulgated by the International Accounting Standards Board (IASB)
"Independent Third Party(ies)"	party(ies) not connected with the Company within the meaning of the Hong Kong Listing Rules as far as the Directors are aware after having made all reasonable enquiries
"Latest Practicable Date"	18 April 2018, being the latest practicable date for the purpose of ascertaining certain information contained in this annual report
"Listing"	listing of the H Shares on the Main Board of the Hong Kong Stock Exchange
"Listing Date"	15 December 2017, the date on which the Company's overseas listed foreign Shares (H Shares) were listed on the Main Board of the Stock Exchange
"Listing Rules" or "Hong Kong Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
"Lu Ban Award"	the Lu Ban Award for Construction Engineering in China (中國建設工程魯班獎), the highest and most prestigious award given by the MOHURD for construction quality excellence
"Macau"	the Macau Special Administrative Region of the PRC
"Main Board"	the stock market (excluding the option market) operated by the Hong Kong Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market

"MOFCOM"	the Ministry of Commerce of the PRC (中華人民共和國商務部)
"MOHURD"	the Ministry of Housing and Urban-rural Development of the PRC (中華人民共和國住房和城鄉建設部), formerly known as the Ministry of Construction
"NDRC"	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
"Nomination Committee"	the Nomination Committee of the Board
"PBOC"	the People's Bank of China (中國人民銀行), the central bank of the PRC
"Prospectus"	the prospectus of the Company dated 5 December 2017
"province"	a province or, where the context requires, a provincial level autonomous region or municipality, under the direct supervision of the central government of the PRC
"Qianbao Investment"	Qianbao Investment Co., Ltd. (乾寶投資有限責任公司) (previously known as Baoyuan Investment Co., Ltd. (寶元投資有限責任公司)), a company incorporated in the PRC on 19 April 2010 with limited liability. As at the Latest Practicable Date, Qianbao Investment directly and indirectly through Zhongru Investment held approximately 73.8% equity interest of the Company in aggregate and is a controlling shareholder of the Company
"Remuneration and Appraisal Committee"	the Remuneration and Appraisal Committee of the Board
"Reporting Period" or "2017" or "the Year"	the year beginning from 1 January 2017 and ending on 31 December 2017
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"SAFE"	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)

"SASAC"	the State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會)
"SAT"	the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
"senior management"	senior management of the Company
"Securities and Futures Ordinance" or "SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"SFC"	the Securities and Futures Commission of Hong Kong
"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
"SME(s)"	small and medium enterprise(s)
"SOE(s)"	state-owned enterprise(s)
"State"	the government of the PRC including all political subdivisions (including provincial, municipal and other regional or local government entities) and their instrumentalities thereof or, where the context requires, any of them
"State Council"	State Council of the People's Republic of China (中華人民共和國國務院)
"subsidiary(ies)"	has the meaning ascribed to it under the Hong Kong Listing Rules, unless the context requires otherwise
"substantial shareholder(s)"	has the meaning ascribed to it under the Hong Kong Listing Rules, unless the context requires otherwise
"Supervisor(s)"	supervisors of the Company

"Xiong'an New Area"	established in Hebei Province in April 2017, as part of PRC government's measures to advance the coordinated development of the Beijing-Tianjin-Hebei Region. This New Area currently spans three counties of Xiongxian, Rongcheng and Anxin
"Zhongming Zhiye"	Zhongming Zhiye Co., Ltd. (中明置業有限公司), a company incorporated on 1 December 2016 with limited liability. As at the Latest Practicable Date, Zhongming Zhiye was owned as to 92.5% and 7.5% by Zhongru Investment and Qianbao Investment, the Controlling Shareholders of the Company, respectively. Hence, Zhongming Zhiye is a connected person of the Company
"Zhongru Investment"	Zhongru Investment Co., Ltd. (中儒投資股份有限公司) (previously known as Baoding Zhongyang Investment Co., Ltd. (保定中陽投資股份有限公司)), a joint stock company incorporated in the PRC on 2 August 2010. As at the Latest Practicable Date, Zhongru Investment directly held approximately 68.3% equity interest of the Company and is a Controlling Shareholder of the Company
"%"	per cent.

GLOSSARY OF TECHNICAL TERMS

This glossary of technical terms contains explanations of certain technical terms used in this report in connection with the Group and its business. These terms and their meanings may not correspond to standard industry meanings or usage of these terms.

"BOT"	Build-Operate-Transfer, a project model whereby, pursuant to a concession agreement entered into by an enterprise and the government, the government grants to the enterprise the rights to undertake the financing, design, construction, operation and certain of wastewater treatment or water supply facilities in a concession period, during which the enterprise can charge service fees based on the service to cover its costs of investment, operation and maintenance and obtain reasonable returns, while, upon the expiration of the concession period, the relevant facilities will be transferred back to the government at nil consideration
"CAGR"	compound annual growth rate
"contract value"	final negotiated or proposed price of a contract before tax
"curtain wall"	an outer covering of a building in which the outer walls are non-structural, designed to handle all loads imposed on it as well as keep air and water from penetrating the building envelope
"electrical and mechanical installation"	generally cover the supply, installation and maintenance of equipment for power plants, pipelines for heating and natural gas, as well as air-conditioning, mechanical ventilation and exhaust air systems
"EPC"	engineering, procurement and construction, a common form of contracting model whereby the contractor is commissioned by the project owner to carry out such project work as survey, design, procurement, construction testing and commissioning of an engineering project, or any combination of the above, either through the contractor's own labor or by subcontracting part or all of the project work, and be responsible for the quality, safety, timely delivery and cost of the project

"m^2" or "sq.m."	square meters
"output value"	the total amount of pecuniary investment by project owners in a construction project (excluding land price and including other construction works subcontracted to other parties of the same construction project)
"PC"	procurement construction, a common form of contracting model whereby the contractor is commissioned by the project owner to carry out project work such as procurement, construction and trial operations, or any combination of the above, either through the contractor's own labor or by subcontracting part or all of the project work, and expected to be responsible for the quality, safety, timely delivery and cost of the project
"PPP"	public-private partnership, a partner relationship based on a framework agreement and formed between the government and private organizations for co-construction of infrastructure projects or providing certain public goods and services
"prefabricated component construction"	constructions assembled with prefabricated parts at sites, including, among others, prefabricated concrete component, prefabricated steel structure construction and prefabricated wooden structure construction
"steel structure"	structural supporting elements comprising steel columns, girders and beams of a construction project
"VAT"	value-added tax

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

做有思想的企業

做有人格的法人