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all your shares in Hebei Construction Group Corporation Limited, you should at once hand this circular and the accompanying form of proxy and the reply slip to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.



河北建設集團股份有限公司

HEBEI CONSTRUCTION GROUP CORPORATION LIMITED

(A company incorporated in the People's Republic of China)

(Stock Code: 1727)

A letter from the Board is set out on pages 1 to 28 of this circular.

The notices of the EGM and the H Shareholders Class Meeting of the Company to be held at 9:00 a.m. and 9:40 a.m. respectively on Monday, 17 February 2020 at Meeting Room, 3/F, No. 329, Wusi West Road, Jingxiu District, Baoding City, Hebei Province, the PRC are set out on pages 44 to 47 of this circular. The forms of proxy and reply slips for use at the EGM and the H Shareholders Class Meeting were dispatched on 3 January 2020 and are also published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.hebjs.com.cn).

Whether or not you are able to attend the EGM and/or the Class Meetings, holders of Shares of the Company are requested to complete the accompanying form(s) of proxy in accordance with the instructions printed thereon and lodge the same to the Company's H Share Registrar in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong (for holders of H Shares of the Company) or the Company's PRC registered office at No. 125, Lugang Road, Jingxiu District, Baoding City, Hebei Province, the PRC (for holders of Domestic Shares of the Company), as soon as possible, but in any event, not less than 24 hours before the time appointed for the holding of the EGM and/or the Class Meetings or any adjournment thereof. Completion and return of the form(s) of proxy will not preclude Shareholders from attending and voting in person at the EGM and/or the Class Meetings or any adjournment thereof if you so wish. If you intend to attend the EGM and/or the Class Meetings in person or by proxy, you are required to complete and return the accompanying reply slip(s) in accordance with the instructions printed thereon on or before Tuesday, 28 January 2020.

22 January 2020

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In this circular, unless the context otherwise requires, the following terms shall have the following meanings:

“Articles of Association”	the articles of association of the Company, as amended from time to time
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Baoding Tianli”	Baoding Tianli Labor Service Co., Ltd. (保定天力勞務有限公司), a company incorporated in the PRC with limited liability on 27 November 2001
“Board” or “Board of Directors”	the board of Directors of the Company
“Class Meetings”	collectively, the Domestic Shareholders Class Meeting and the H Shareholders Class Meeting
“Company”	Hebei Construction Group Corporation Limited
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“continuing connected transaction(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“CSRC”	China Securities Regulatory Commission
“Director(s)”	the director(s) of the Company
“Domestic Share(s)”	ordinary share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, which are subscribed for or credited as paid up in Renminbi
“Domestic Shareholder(s)”	holders of Domestic Shares of the Company
“Domestic Shareholders Class Meeting”	the 2020 first Domestic Shareholders class meeting of the Company to be convened and held on Monday, 17 February 2020 at 9:20 a.m. or immediately after the conclusion of the EGM (or any adjournment thereof) at Meeting Room, 3/F, No. 329, Wusi West Road, Jingxiu District, Baoding City, Hebei Province, the PRC
“EGM”	the 2020 first extraordinary general meeting of the Company to be convened and held at 9:00 a.m. on Monday, 17 February 2020 at Meeting Room, 3/F, No. 329, Wusi West Road, Jingxiu District, Baoding City, Hebei Province, the PRC

“Full Circulation Guidelines”	the Guidelines for the “Full Circulation” Program for Domestic Unlisted Shares of H-share Listed Companies (CSRC Announcement [2019] No.22) (《H股公司境內未上市股份申請“全流通”業務指引》(證監會公告[2019]22號))
“Group” or “we” or “us”	the Company and its subsidiaries
“H Shares”	overseas listed foreign Shares in the share capital of the Company, with a nominal value of RMB1.00 each, which are subscribed for and traded in HK dollars and listed on the Stock Exchange
“H Shareholders Class Meeting”	the 2020 first H Shareholders class meeting of the Company to be convened and held on Monday, 17 February 2020 at 9:40 a.m. or immediately after the conclusion of the EGM and the Domestic Shareholders Class Meeting (or any adjournment thereof) at Meeting Room, 3/F, No. 329, Wusi West Road, Jingxiu District, Baoding City, Hebei Province, the PRC
“HK dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the Independent Board Committee of the Company comprising all independent non-executive Directors independent from related matters to advise Independent Shareholders in respect of the New Labor Subcontract Framework Agreement and its proposed annual caps
“Independent Financial Adviser”	Halcyon Capital Limited, a corporation licensed to conduct type 6 (advising on corporate finance) regulated activities under the SFO and the independent financial adviser of the Company appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the New Labor Subcontract Framework Agreement and its proposed annual caps
“Independent Shareholders”	Shareholders of the Company other than Zhongru Investment and Qianbao Investment
“Independent Third Parties”	to the best knowledge of the Directors after having made all reasonable enquiries, persons not connected to the Group and its connected persons
“Latest Practicable Date”	17 January 2020, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein

“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time
“New Labor Subcontract Framework Agreement”	the new labor subcontract framework agreement entered into between the Company and Baoding Tianli on 31 December 2019
“PRC”	the People’s Republic of China, for the purpose of this circular, excluding Hong Kong, Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Prospectus”	the prospectus of the Company published on the website of the Stock Exchange on 5 December 2017
“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 holds approximately 73.8% equity interests of the Company in aggregate and is a controlling shareholder of the Company
“Reply on Notice Period”	the Reply on Adjustment of Notice Period of the General Meeting and Other Matters Applicable to Overseas Listed Companies (Guo Han [2019] No.97) (《關於調整適用在境外上市公司召開股東大會通知期限等事項規定的批覆》(國函[2019]97號))
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“Rules of Procedure for General Meetings”	the Rules of Procedure for General Meetings of Hebei Construction Group Corporation Limited (《河北建設集團股份有限公司股東大會議事規則》), as amended from time to time
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	Domestic Shares and H Shares
“Shareholders(s)”	holder(s) of the Share(s) of the Company

“Special Provisions”	the Special Provisions of the State Council on the Overseas Offering and the Listing of Shares by Joint Stock Limited Companies (State Council Order [1994] No. 160) (《國務院關於股份有限公司境外募集股份及上市的特別規定》(國務院令[1994]第160號))
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Zhongming Zhiye”	Zhongming Zhiye Co., Ltd. (中明置業有限公司), a company incorporated in the PRC on 1 December 2016 with limited liability. As 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
“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 holds approximately 68.3% equity interests of the Company and is a controlling shareholder of the Company
“%”	per cent



河北建設集團股份有限公司

HEBEI CONSTRUCTION GROUP CORPORATION LIMITED

(A company limited by shares, wholly owned by Chinese citizens)

(Stock Code: 1727)

Executive Directors:

Mr. LI Baozhong (*Chairman*)
Mr. SHANG Jinfeng (*President*)
Mr. LIU Yongjian
Mr. ZHAO Wensheng

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
s650 69.9819 575.RegisterithOff7 T:EN Lifeng

The Company proposes to convene the EGM, the Domestic Shareholders Class Meeting and the H Shareholders Class Meeting at 9:00 a.m., 9:20 a.m. and 9:40 a.m. respectively on Monday, 17 February 2020 at Meeting Room, 3/F, No. 329, Wusi West Road, Jingxiu District, Baoding City, Hebei Province, the PRC. The notices convening the EGM and the H Shareholders Class Meeting are set out on page 44 to page 47 of this circular.

The purpose of this circular is to provide you with details regarding the resolutions to be proposed at the EGM and the Class Meetings for your consideration and approval as ordinary resolutions or special resolutions (as the case may be) at the EGM and/or the Class Meetings, and to provide relevant information to enable you to make an informed decision on whether to vote for or against or abstain from voting on the resolutions. Such resolutions and relevant details are set out in the letter from the Board.

A special resolution will be proposed at the EGM and the Class Meetings to approve the amendments to Articles of Association.

Reference is made to the Company's announcement dated 31 December 2019 regarding the proposal to amend the Articles of Associations of the Company.

On 22 October 2019, the State Council issued the Reply on Notice Period, which agreed that the requirements on the notice period of the general meeting, shareholders' proposal right and convening procedures for joint stock limited companies incorporated in the PRC and listed overseas shall be governed by the relevant provisions under the Company Law of the People's Republic of China, instead of the provisions under Articles 20 to 22 of the Special Provisions. On 14 November 2019, the CSRC issued the Full Circulation Guidelines to fully implement the reform of "full circulation" of H Shares.

Pursuant to the above provisions, the Company proposed to amend the notice period for General Meetings. In addition, to facilitate the potential arrangement of “full circulation” of the H Shares of the Company in the future, the Company proposed to amend the articles in relation to “full circulation” in the Articles of Association with details as follows:

<p>Shares issued by the Company to domestic investors to be subscribed for in Renminbi are referred to as “domestic investment shares”. Shares issued by the Company to foreign investors to be subscribed for in foreign currency are referred to as “foreign investment shares”. Foreign investment shares which are listed outside the PRC are referred to as “overseas listed foreign investment shares”.</p> <p>For the purposes of the preceding paragraph, the term “foreign currency” means the legal currency of other countries or regions (other than the Renminbi) that can be used to pay the subscription monies to the Company and which is recognized by the competent state foreign exchange administration authority.</p> <p>Overseas listed foreign investment shares of the Company that are listed in Hong Kong are referred to as “H Shares”. H Shares are shares which have been admitted for listing on the SEHK with a par value denominated in RMB and are subscribed for and traded in Hong Kong dollars. Domestic investment shares can be converted into H Shares after obtaining the approval from the State Council or its authorized bodies and the consent of the SEHK.</p>	<p>Shares issued by the Company to domestic investors to be subscribed for in Renminbi are referred to as “domestic investment shares”. Shares issued by the Company to foreign investors to be subscribed for in foreign currency are referred to as “foreign investment shares”. Foreign investment shares which are listed outside the PRC are referred to as “overseas listed foreign investment shares”.</p> <p>For the purposes of the preceding paragraph, the term “foreign currency” means the legal currency of other countries or regions (other than the Renminbi) that can be used to pay the subscription monies to the Company and which is recognized by the competent state foreign exchange administration authority.</p> <p>Overseas listed foreign investment shares of the Company that are listed in Hong Kong are referred to as “H Shares”. H Shares are shares which have been admitted for listing on the SEHK with a par value denominated in RMB and are subscribed for and traded in Hong Kong dollars. Domestic investment shares can be converted into H Shares after obtaining the approval from the State Council or its authorized bodies and the consent of the SEHK.</p>
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<p>Upon obtaining an approval from the securities regulatory authorities of the State Council, domestic shareholders of the Company may transfer the Company's shares held by them to overseas investors and have such shares listed and traded overseas. Shares so transferred that are listed and traded on an overseas stock exchange shall also be subject to the regulatory procedures, regulations and requirements of the overseas stock exchange. The listing and trading on such overseas stock exchange do not require the approval by voting at any meetings of class shareholders.</p>	<p>Upon obtaining an approval from the securities regulatory authorities of the State Council, domestic shareholders of the Company may transfer _____ the Company's shares held by them to overseas investors and have such shares listed and traded overseas _____ _____ _____ _____. Shares so transferred _____ that are listed and traded on an overseas stock exchange shall also be subject to the regulatory procedures, regulations and requirements of the overseas stock exchange. The listing and trading _____ on such overseas stock exchange _____ _____ do not require the approval by voting at any _____ meetings of class shareholders.</p>
<p>No changes resulting from share transfers may be made to the register of shareholders within 30 days prior to a general meeting or 5 days prior to the date of record set by the Company for the purpose of distribution of dividends.</p>	<p>No changes resulting from share transfers may be made to the register of shareholders within 30 days prior to a general meeting or 5 days prior to the date of record set by the Company for the purpose of distribution of dividends. _____ - _____ _____ _____ _____ _____</p>

<p>Based on the written replies received 20 days before the general meeting is to be held, the Company shall calculate the number of voting shares represented by the shareholders who intend to attend the meeting. If the number of voting shares represented by the shareholders intending to attend the meeting is more than half of the total number of the Company's voting shares, the Company may hold the general meeting. If not, the Company shall, within five days, inform the shareholders once again of the matters to be considered and the date and place of the meeting in the form of a public announcement. After such notification is informed by public announcement, the Company may hold the general meeting.</p>	<p>Based on the written replies received 20 days before the general meeting is to be held, the Company shall calculate the number of voting shares represented by the shareholders who intend to attend the meeting. If the number of voting shares represented by the shareholders intending to attend the meeting is more than half of the total number of the Company's voting shares, the Company may hold the general meeting. If not, the Company shall, within five days, inform the shareholders once again of the matters to be considered and the date and place of the meeting in the form of a public announcement. After such notification is informed by public announcement, the Company may hold the general meeting. _____ _____ _____</p>

<p>Notice of a general meeting shall be delivered to the shareholders (whether or not entitled to vote thereat) by hand or prepaid mail at the recipient's address shown in the register of shareholders, or given by way of a public announcement.</p> <p>The "public announcement" referred to in the preceding paragraph shall, for holders of domestic investment shares, be published in one or more newspapers or periodicals designated by the CSRC and the regulator of the place of listing, and on the Company's website and the website of the stock exchange during the period between 45 and 50 days before the meeting is to be held. Once the announcement is made, all holders of domestic investment shares shall be deemed to have received notice of the relevant general meeting.</p> <p>For holders of H shares, subject to the laws, regulations, the listing rules of the place where the shares of the Company are listed and these Articles of Association, the notice of a general meeting, circular of shareholders and relevant documents may be published on the websites of the Company and the SEHK.</p>	<p>Notice of a general meeting shall be delivered to the shareholders (whether or not entitled to vote thereat) by hand or prepaid mail at the recipient's address shown in the register of shareholders, or given by way of a public announcement.</p> <p>The "public announcement" referred to in the preceding paragraph shall, for holders of domestic investment shares, be published in one or more newspapers or periodicals designated by the CSRC and the regulator of the place of listing, and on the Company's website and the website of the stock exchange during the period between 45 and 50 days before the meeting is to be held _____</p> <p>_____</p> <p>_____</p> <p>_____ . Once the announcement is made, all holders of domestic investment shares shall be deemed to have received notice of the relevant general meeting.</p> <p>For holders of H shares, subject to the laws, regulations, the listing rules of the place where the shares of the Company are listed and these Articles of Association, the notice of a general meeting, circular of shareholders and relevant documents may be published on the websites of the Company and the SEHK.</p>
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<p>If the Company intends to vary or abrogate rights of class shareholders, it may do so only after such variation or abrogation has been approved by way of a special resolution of the general meeting and by a separate class shareholders' meeting convened by the affected class shareholders in accordance with Articles 117 to 121.</p> <p>Neither the approval of the general meeting or a class shareholders' meeting shall be required if a variation or abrogation of the rights of class shareholders arises due to a change in domestic or foreign laws or the listing rules of the place of listing, or due to a decision made in accordance with the law by the domestic or foreign regulatory authorities.</p>	<p>If the Company intends to vary or abrogate rights of class shareholders, it may do so only after such variation or abrogation has been approved by way of a special resolution of the general meeting and by a separate class shareholders' meeting convened by the affected class shareholders in accordance with Articles 117 to 121.</p> <p>Neither the approval of the general meeting or a class shareholders' meeting shall be required if a variation or abrogation of the rights of class shareholders arises due to a change in domestic or foreign laws or the listing rules of the place of listing, or due to a decision made in accordance with the law by the domestic or foreign regulatory authorities.</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p>

<p>When the Company is to hold a class shareholders' meeting, it shall issue a written notice 45 days (exclusive of the date of the meeting) prior to the meeting informing all the registered shareholders of that class of</p>	

<p>Except for holders of other classes of Shares, holders of domestic investment shares and overseas listed foreign investment shares are deemed to be Shareholders of different classes.</p> <p>The special voting procedures for class shareholders shall not apply in the following circumstances:</p> <p>(I) where, as approved by way of a special resolution of the general meeting, the Company issues, either separately or concurrently, domestic investment shares and overseas listed foreign investment shares every 12 months, and the quantity of domestic investment shares and overseas listed foreign investment shares intended to be issued does not exceed 20 percent of the outstanding shares of the respective classes;</p>	

A special resolution will be proposed at the EGM and the Class Meetings to approve the amendments to Rules of Procedure for General Meetings.

On 22 October 2019, the State Council issued the Reply on Notice Period, which agreed that the requirements on the notice period of the general meeting, shareholders’ proposal right and convening procedures for joint stock limited companies incorporated in the PRC and listed overseas shall be governed by the relevant provisions under the Company Law of the People’s Republic of China, instead of the provisions under Articles 20 to 22 of the Special Provisions. On 14 November 2019, the CSRC issued the Full Circulation Guidelines to fully implement the reform of “full circulation” of H Shares.

Pursuant to the above provisions, the Company proposed to amend the notice period for General Meetings. In addition, to facilitate the potential arrangement of “full circulation” of the H Shares of the Company in the future, the Company proposed to amend the articles in relation to “full circulation” in the Rules of Procedure for General Meetings with details as follows:

<p>When the Company is to hold a general meeting, it shall issue a written notice 45 days (exclusive of the date when the meeting is held) prior to the meeting informing all the registered shareholders of the matters to be considered and the date and place of the meeting. Shareholders who intend to attend the general meeting shall, within 20 days prior to the day on which the meeting is to be held, revert the reply slip to the Company stating that they will attend the meeting. Regarding the calculation of the notice period, the date of the meeting shall not be included. For notices given under this article, the date posted shall be the date of delivering the relevant notice to post office by the Company or the share registrar appointed by the Company.</p>	<p>When the Company is to hold a _____ general meeting, it shall issue a written notice 45 days (exclusive of the date when the meeting is held) prior to the meeting informing all the registered shareholders of the matters to be considered and the date and place of the meeting. Shareholders who intend to attend the general meeting shall, within 20 days prior to the day on which the meeting is to be held, revert the reply slip to the Company stating that they will attend the meeting. Regarding the calculation of the notice period, the date of the meeting shall not be included.</p>

<p>Based on the written replies received 20 days before the general meeting is to be held, the Company shall calculate the number of voting shares represented by the shareholders who intend to attend the meeting. If the number of voting shares represented by the shareholders intending to attend the meeting is more than half of the total number of the Company's voting shares, the Company may hold the general meeting. If not, the Company shall, within five days, inform the shareholders once again of the matters to be considered and the date and place of the meeting in the form of a public announcement. After such notification is informed by public announcement, the Company may hold the general meeting.</p>	<p>Based on the written replies received 20 days before the general meeting is to be held, the Company shall calculate the number of voting shares represented by the shareholders who intend to attend the meeting. If the number of voting shares represented by the shareholders intending to attend the meeting is more than half of the total number of the Company's voting shares, the Company may hold the general meeting. If not, the Company shall, within five days, inform the shareholders once again of the matters to be considered and the date and place of the meeting in the form of a public announcement. After such notification is informed by public announcement, the Company may hold the general meeting.</p>
<p>Notice of a general meeting shall be delivered to the shareholders (whether or not entitled to vote thereat) by hand or prepaid mail at the recipient's address shown in the register of shareholders, or given by way of a public announcement.</p> <p>The "public announcement" referred to in the preceding paragraph shall, be published in one or more newspapers or periodicals designated by the securities regulatory authorities of the state council and the regulator of the place of listing, and on the Company's website and the website of the stock exchange during the period between 45 and 50 days before the meeting is to be held. Once the announcement is made, all holders of domestic investment shares shall be deemed to have received notice of the relevant general meeting.</p>	<p>— Notice of a general meeting shall be delivered to the shareholders (whether or not entitled to vote thereat) by hand or prepaid mail at the recipient's address shown in the register of shareholders, or given by way of a public announcement.</p> <p>The "public announcement" referred to in the preceding paragraph shall, be published in one or more newspapers or periodicals designated by the securities regulatory authorities of the state council and the regulator of the place of listing, and on the Company's website and the website of the stock exchange during the period between 45 and 50 days before the meeting is to be held _____ _____ _____. Once the announcement is made, all holders of domestic investment shares shall be deemed to have received notice of the relevant general meeting.</p>

<p>For holders of H shares, subject to the laws, regulations, the listing rules of the place where the shares of the Company are listed and these Articles of Association, the notice of a general meeting, circular of shareholders and relevant documents may be published on the websites of the Company and the SEHK.</p> <p>The notice of the class meeting shall be delivered only to the shareholders entitled to voting thereat.</p> <p>Except for otherwise stipulated in these Rules, the procedures of a class meeting shall, to the extent possible, be identical with the procedures of a general meeting. The provisions in these Rules in relation to the procedures for the holding of a general meeting shall be applicable to a class meeting.</p>	<p>For holders of H shares, subject to the laws, regulations, the listing rules of the place where the shares of the Company are listed and these Articles of Association, the notice of a general meeting, circular of shareholders and relevant documents may be published on the websites of the Company and the SEHK.</p> <p>The notice of the class meeting shall be delivered only to the shareholders entitled to voting thereat.</p> <p>Except for otherwise stipulated in these Rules, the procedures of a class meeting shall, to the extent possible, be identical with the procedures of a general meeting. The provisions in these Rules in relation to the procedures for the holding of a general meeting shall be applicable to a class meeting.</p>
<p style="text-align: center;">If the Company intends to vary or abrogate rights of class shareholders, it may do so only after such variation or abrogation has been approved by way of a special resolution of the general meeting and by a separate class shareholders' meeting convened by the affected class shareholders.</p> <p>Neither the approval of the general meeting or a class shareholders' meeting shall be required if a variation or abrogation of the rights of class shareholders arises due to a change in domestic or foreign laws, administrative regulations or the listing rules of the place of listing, or due to a decision made in accordance with the law by the domestic or foreign regulatory authorities.</p>	<p style="text-align: center;">—__ If the Company intends to vary or abrogate rights of class shareholders, it may do so only after such variation or abrogation has been approved by way of a special resolution of the general meeting and by a separate class shareholders' meeting convened by the affected class shareholders.</p> <p>Neither the approval of the general meeting or a class shareholders' meeting shall be required if a variation or abrogation of the rights of class shareholders arises due to a change in domestic or foreign laws, administrative regulations or the listing rules of the place of listing, or due to a decision made in accordance with the law by the domestic or foreign regulatory authorities.</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p>

<p>When the Company is to hold a class shareholders' meeting, it shall issue a written notice 45 days prior to the meeting informing all the registered shareholders of that class of the matters to be considered at and the date and place of the meeting. Shareholders that intend to attend the meeting shall, within 20 days prior the day on which the meeting is to be held, serve a written reply on the Company stating that they will attend the meeting.</p> <p>If the number of shares carrying the right to vote at the meeting represented by the shareholders intending to attend the meeting is more than half of the total number of shares of that class carrying the right to vote at the meeting, the Company may hold the class shareholders' meeting. If not, the Company shall, within five days, inform the shareholders once again of the matters to be considered at and the date and place of the meeting in the form of a public announcement. After such notification by public announcement, the Company may hold the class shareholders' meeting.</p> <p>Where there are special provisions in the Listing Rules, such provisions shall prevail.</p>	<p>— When the Company is to hold a class shareholders' meeting, it shall issue a written notice 45 days prior to the meeting _____ _____ informing all the registered shareholders of that class of the matters to be considered at and the date and place of the meeting. Shareholders that intend to attend the meeting shall, within 20 days prior the day on which the meeting is to be held, serve a written reply on the Company stating that they will attend the meeting. _____ _____</p> <p>If the number of shares carrying the right to vote at the meeting represented by the shareholders intending to attend the meeting is more than half of the total number of shares of that class carrying the right to vote at the meeting, the Company may hold the class shareholders' meeting. If not, the Company shall, within five days, inform the shareholders once again of the matters to be considered at and the date and place of the meeting in the form of a public announcement. After such notification by public announcement, the Company may hold the class shareholders' meeting.</p> <p>Where there are special provisions in the Listing Rules, such provisions shall prevail.</p>
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<p>The special voting procedures for class shareholders shall not apply in the following circumstances:</p> <p>(I) where, as approved by way of a special resolution of the general meeting, the Company issues, either separately or</p>	

An ordinary resolution will be proposed at the EGM to approve the New Labor Subcontract Framework Agreement and its proposed annual caps.

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(1) *Background*

Reference is made to the Prospectus in relation to, among others, the Labor Subcontract Framework Agreement entered into between the Company and Baoding Tianli on 23 November 2017. As disclosed in the Prospectus, pursuant to the Labor Subcontract Framework Agreement, Baoding Tianli shall provide labor subcontract services to the Group in its ordinary course of business, including but not limited to contracting for building construction projects and infrastructure construction projects, for which Baoding Tianli will charge the Group subcontract fees (including subcontract service fees, labor wages and social insurance expenses, taxation, auxiliary materials and tools costs, and other fees).

As the Labor Subcontract Framework Agreement will expire on 31 December 2019, the Company has entered into the New Labor Subcontract Framework Agreement with Baoding Tianli on 31 December 2019. Subject to the approval on the Extraordinary General Meeting, the agreement is valid for a term of three years commencing from 1 January 2020 and expiring on 31 December 2022.

(2) *New Labor Subcontract Framework Agreement*

31 December 2019

Baoding Tianli (as sub-contractor); and

the Company (as contractor).

Baoding Tianli shall provide labor subcontract services to the Group in its ordinary course of business, including but not limited to contracting for building construction projects and infrastructure construction projects, for which Baoding Tianli will charge the Group subcontract fees (including subcontract service fees, labor wages and social insurance expenses, taxation, auxiliary materials and tools costs, and other fees). The New Labor Subcontract Framework Agreement is valid for a term of three years after signed and sealed by the signing parties, and considered and approved by the board of directors and independent shareholders of the Company. The New Labor Subcontract Framework Agreement can be renewed for another three years upon its expiry as agreed by relevant parties to the agreement, upon which the Group will continue to comply with the applicable requirements under the Listing Rules. 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 New Labor Subcontract Framework Agreement.

In accordance with the New Labor Subcontract Framework Agreement, the total subcontract fee to be paid by the Group to Baoding Tianli will be 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 consists of experts selected by us 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 such bidder will be implemented. Therefore, only in the event that Baoding Tianli wins the bidding with the highest score determined by the review panel, we will enter into business agreements with Baoding Tianli under the New Labor Subcontract Framework Agreement.

(3) *Historical amount*

The total amounts of transactions between the Group and Baoding Tianli for the two years ended 2017 and 2018 and the six months ended 30 June 2019 were RMB1,918 million, RMB3,871 million and RMB1,977 million, respectively. The growth in the above total subcontract fee mainly results from (i) the rapid business expansion of the Group; (ii) the enhanced comprehensive business capabilities of Baoding Tianli; and (iii) the increase in labor wages.

(4) *Proposed annual caps and basis of determination*

For the three years ending 31 December 2020, 2021 and 2022, the maximum annual amounts of total service fees shall not exceed the caps set out below:

(Unit: RMB million)

Total fees	4,000	4,000	4,000
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The proposed annual caps under the New Labor Subcontract Framework Agreement for the three years ending 31 December 2020, 2021 and 2022 are calculated in consideration of the following factors:

(1) Estimated costs of sales of the Group

We estimate costs of sales by taking into account: (i) our historical performance in our principal business of construction contracting; (ii) our business development plan and expected growth trend in years 2020 to 2022; and (iii) the average percentages of our adjusted cost of sales to the adjusted revenue for the two years ended 2017 and 2018 and the six months ended 30 June 2019. It is expected that the Group's cost of sales will be increased by approximately 10% to 15% on a year-by-year basis for the three years ending 31 December 2022 together with our business growth (the year-on-year increase of the cost of sales across the five years ended 31 December 2014, 2015, 2016, 2017 and 2018 were 8.64%, 40.18%, 8.19% and 13.53%, respectively).

As disclosed in the circular of the Company dated 31 May 2019, the Group acquired the controlling rights of Hebei Construction Group Garden Engineering Co., Ltd. from the entity under the same controlling shareholder of the Group. In this regards, the Group has restated the financial information for the years ended 31 December 2017 and 2018 and included the revenue and cost from the acquired business into the consolidation scope with reference to the Accounting Standards for Business Enterprises. The Group has used the adjusted numbers for the basis of estimation of the Proposed Annual Caps.

(2) Estimated percentages of labor costs to costs of sales of the Group

Our labor cost¹ was approximately RMB10,183 million, RMB11,148 million and RMB4,880 million for the two years ended 2017 and 2018 and the six months ended 30 June 2019, accounting for approximately 26%, 25% and 25% of our adjusted cost of sales², respectively, during the same period. After considering our business development trend, it is estimated that the percentages of our annual labor costs, such as subcontract fees to be paid to labor subcontractors (including Baoding Tianli and/or other independent third-party labor subcontractors), to our total costs of sales for the same period will remain stable in the next three years; and

¹. The majority of the Group's labor cost came from its construction contracting business segment, which was mainly derived from its labor subcontracting expenses.

². The majority of the Group's adjusted costs of sales came from its construction contracting business segment, which is our principal business.

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- (3) Estimated percentages of subcontract fee to be paid to Baoding Tianli to labor costs of the Group

For the two years ended 2017 and 2018 and the six months ended 30 June 2019, the subcontract fee paid to Baoding Tianli by the Group accounted for approximately 18.84%, 34.72% and 40.51% of the total labor costs of the Group, respectively, with an average of 31.36%. As the Group is expanding its business nationwide and achieving steady growth in various provinces and cities, our need for labor services is rising. Considering that Baoding Tianli operates its business mainly in Beijing, Tianjin and Hebei while relatively less in other provinces, the Group will consider local labor service providers when conducting businesses involving labor services in other provinces in the future. Therefore, the rate of Baoding Tianli's subcontract fee to the Group's labor costs will be downsizing, and it is expected that Baoding Tianli's subcontract fee will remain stable in the next three years.

- (5) *Reasons for and benefits of entering into the New Labor Subcontract Framework Agreement*

Baoding Tianli has expertise in labor subcontract services and has established a good reputation for its quality services in the labor industry. The provision of labor subcontract services by Baoding Tianli to the Group started before the date of this circular, when it was a subsidiary of the Company. Baoding Tianli has become familiar with our business needs and operational requirements through its long-term cooperation with us and thus can provide us with a sufficient number of laborers who have the requisite expertise and experience for our construction business, in a timely manner and in accordance with applicable laws and regulations. Accordingly, although the Company sold Baoding Tianli to Zhongming Zhiye during the reorganization so as to focus on our principal businesses, the Directors of the Company (including the independent non-executive Directors) are of the view that it is in the interests of the Shareholders as a whole to enter into the New Labor Subcontract Framework Agreement with Baoding Tianli.

- (6) *Listing Rules implications*

As at the Latest Practicable Date, Baoding Tianli is a wholly-owned subsidiary of Zhongming Zhiye, which is owned as to 92.5% and 7.5% by Zhongru Investment and Qianbao Investment, respectively. As Zhongru Investment and Qianbao Investment are controlling shareholders of the Company, Baoding Tianli is our connected person by virtue of Rule 14A.07(4) of the Listing Rules. Pursuant to the Listing Rules, the transactions contemplated under the New Labor Subcontract Framework Agreement entered into between the Company and Baoding Tianli constitute continuing connected transactions of the Company under the Listing Rules.

As the relevant highest applicable percentage ratio (as defined in the Listing Rules) of the transactions contemplated under the New Labor Subcontract Framework Agreement entered into between the Company and Baoding Tianli calculated in accordance with the Listing Rules is higher than 5%, such transactions are subject to the reporting, announcement, independent financial advice and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

In order to ensure that the terms of the New Labor Subcontract Framework Agreement are fair and reasonable, or no less favorable than terms available to or from Independent Third Parties, and are carried out under normal commercial terms, the Company has adopted the following internal control procedures:

- The Company has adopted and implemented a set of management system on connected transactions. Under such system, the Audit Committee under the Board is responsible for review on compliance with relevant laws, regulations, the Company's policies and the Listing Rules in respect of the continuing connected transactions. In addition, the Audit Committee under the Board, the office of the Board and various internal departments of the Company (including but not limited to the market operation department, the production security department, the finance management department, the financial securities department and legal department) are jointly responsible for evaluating the terms and fees (including but not limited to identifying transactions with independent third parties to determine the market prices) under such framework agreement for the continuing connected transactions, in particular, the pricing policies under such transactions; the market operation department and the production security department are responsible for the approval of the annual caps and their fairness under such transactions;
- The Audit Committee of the Board, the office of the Board and various internal departments of the Company (including but not limited to the finance department and the legal department) will also regularly review the implementation of such framework agreement for the continuing connected transaction and the progress of the transaction semi-annually and quarterly, respectively. In addition, the Board will regularly review the pricing policy of such framework agreement for the continuing connected transaction on an annual basis;
- Our independent non-executive Directors and auditors will conduct annual reviews of the continuing connected transactions under such framework agreement and provide annual confirmation in accordance with the Listing Rules to ensure that, the transactions are conducted in accordance with the terms of the agreements, on normal commercial terms and in accordance with the pricing policy; and

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- When considering the actual subcontract fees, rental, service fees, and other prices provided by the Group to the above connected persons, the Group will continue to regularly research in prevailing market conditions and practices and make reference to the pricing and terms between the Group and Independent Third Parties for similar transactions, to make sure that the pricing and terms offered by the above connected persons, either from bidding procedures or mutual commercial negotiations (as the case may be), are fair, reasonable and are no less favorable than those offered to Independent Third Parties. In particular, the Procurement Department of the Group will collect price information in the market at the end of each year and from time to time, by attending national labor service seminars (such as the annual meeting organized by the labor branch of China Construction Industry Association) and by collecting data from Yuncai Network, a business-to-business online procurement platform that provides nationwide services to construction companies and suppliers in China.

Opinions of the Board

Having considered the pricing policies, basis of determination for the proposed annual caps, reasons for and benefits of the continuing connected transactions, and internal control procedures of the Company, the Directors (including the independent non-executive Directors) are of the view that the New Labor Subcontract Framework Agreement is entered into on normal commercial terms in the ordinary and usual course of business of the Company, the terms and the proposed annual caps of the continuing connected transactions contemplated thereunder are fair and reasonable, and in the interests of the Company and its Shareholders as a whole.

The Board has resolved to approve the above matters. As Mr. LI Baozhong, Mr. SHANG Jinfeng, Mr. LIU Yongjian, Mr. ZHAO Wensheng, Mr. LI Baoyuan and Mr. CAO Qingshe are interested in or serve management positions of Zhongming Zhiye and/or its associates, they are considered to be connected with the New Labor Subcontract Framework Agreement and the transactions contemplated thereunder, and they have abstained from voting on the Board resolutions for approving the above framework agreement and the proposed annual caps. Save as disclosed above, there are no other Directors who have any material interest in the New Labor Subcontract Framework Agreement, and no other Directors are required to abstain from voting on the Board resolutions for considering and approving the New Labor Subcontract Framework Agreement and the proposed annual caps for the continuing connected transactions contemplated thereunder.

Independent Board Committee and Independent Financial Adviser

The Company has established the Independent Board Committee (comprising all the independent non-executive Directors, namely Mr. XIAO Xuwen, Ms. SHEN Lifeng, Ms. CHEN Xin and Mr. CHAN Ngai Sang Kenny) to advise the Independent Shareholders in respect of the New Labor Subcontract Framework Agreement and the proposed annual caps for the continuing connected transactions contemplated thereunder. The Company has appointed Halcyon Capital Limited as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders regarding such matters.

Information on Parties to the Agreement

(1) Information on the Company

The Company is a joint stock company incorporated in the PRC on 7 April 2017 with limited liability and is engaged in the provision of integrated solutions primarily for the construction contracting of buildings and infrastructure projects.

(2) Information on Baoding Tianli

Baoding Tianli is a company incorporated in the PRC on 27 November 2001 with limited liability, and its business scope mainly includes subcontracting of masonry, plasterwork, painting, reinforcing bar, concrete work, scaffolding, molding, water, heating and electric system installation, welding and sheet metal work, and dispatch of labor to overseas areas (excluding Hong Kong, Macau and Taiwan).

The notices convening the EGM and the H Shareholders Class Meeting of the Company to be held at Meeting Room, 3/F, No. 329, Wusi West Road, Jingxiu District, Baoding City, Hebei Province, the PRC at 9:00 a.m. and 9:40 a.m. respectively on Monday, 17 February 2020 are set out on pages 44 to 47 of this circular. The forms of proxy and reply slips for use at the EGM and the H Shareholders Class Meeting were dispatched on 3 January 2020 and are also published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.hebjs.com.cn).

Whether or not you intend to attend the EGM and/or the Class Meetings, you are requested to complete the form(s) of proxy dispatched by the Company on 3 January 2020 in accordance with the instructions printed thereon and return the same to the Company's H Share Registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong (for holders of H Shares of the Company), or to the Company's registered office in the PRC at No. 125, Lugang Road, Jingxiu District, Baoding City, Hebei Province, the PRC (for holders of Domestic Shares of the Company), as soon as practicable and in any event not later than 24 hours before the time appointed for holding the EGM and/or the Class Meetings, or any adjournment thereof. Completion and return of the form(s) of proxy will not preclude you from attending in person and voting at the EGM and/or the Class Meetings, or any adjourned meeting should you so wish. If you attend and vote at the EGM and/or the Class Meetings, the authority of your proxy will be revoked. Shareholders who intend to attend the EGM and/or the Class Meetings in person or by proxy shall complete the reply slip(s) and lodge the same by hand, fax or mail to the Company's H Share Registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, fax number: (852) 2861 1465 (for holders of H Shares of the Company), or to the Company's registered office in the PRC at No. 125, Lugang Road, Jingxiu District, Baoding City, Hebei Province, the PRC, fax number: (86) 312 301 9434 (for holders of Domestic Shares of the Company), on or before Tuesday, 28 January 2020.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of Shareholders at a general meeting must be taken by poll. Accordingly, all resolutions set out in the notices of EGM and the H Shareholders Class Meeting will be taken by way of poll. Shareholders may cast their votes in person or by proxy.

Any connected person, Shareholder and its associate who have a material interest in the New Labor Subcontract Framework Agreement and the continuing connected transactions contemplated thereunder shall abstain from voting on the EGM. Zhongru Investment and Qianbao Investment have material interest in the New Labor Subcontract Framework Agreement and the continuing connected transactions contemplated thereunder. Accordingly, Zhongru Investment and Qianbao Investment will abstain from voting in respect of the relevant resolutions at the EGM. As at the Latest Practicable Date, Zhongru Investment directly held and controlled or was entitled to exercise control over the voting rights of 1,202,500,000 Shares, representing approximately 68.3% of the total issued share capital of the Company. Qianbao Investment directly and indirectly through Zhongru Investment held and controlled or was entitled to exercise control over the voting rights of 1,300,000,000 Shares, representing approximately 73.8% of the total issued share capital of the Company in aggregate. Save as disclosed herein, to the best of the knowledge, information and belief of the Directors after having made all reasonable inquiries, no other Shareholder will be required to abstain from voting at the EGM regarding the relevant resolutions as at the Latest Practicable Date.

For the purpose of determining Shareholders' entitlements to attend and vote at the EGM and the Class Meetings, the register of members of the Company will be closed from Saturday, 18 January 2020 to Monday, 17 February 2020 (both days inclusive), during which period no transfer of Shares of the Company will be registered. In order to qualify for attending and voting at the EGM and/or the H Shareholders Class Meeting, holders of H Shares of the Company shall lodge all duly completed and signed transfer documents together with the relevant share certificates to the Company's H Share Registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on Friday, 17 January 2020.

The Independent Board Committee (comprising all the independent non-executive Directors, namely Mr. XIAO Xuwen, Ms. SHEN Lifeng, Ms. CHEN Xin and Mr. CHAN Ngai Sang Kenny) has been appointed by the Board to advise the Independent Shareholders in respect of the New Labor Subcontract Framework Agreement and the proposed annual caps for the continuing connected transactions contemplated thereunder. Halcyon Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders regarding such matters.

Your attention is drawn to the letter from the Independent Board Committee set out on page 29 of this circular. The Independent Board Committee, having taken into account the advice of Halcyon Capital Limited (the text of which is set out on pages 30 to 43 of this circular), considers that the New Labor Subcontract Framework Agreement is entered into on normal commercial terms in the ordinary and usual course of business of the Company, the terms and the proposed annual caps of the continuing connected transactions contemplated thereunder are fair and reasonable, and in the interests of the Company and its Shareholders as a whole. The Independent Board Committee, as stated in its letter, recommends the Independent Shareholders to vote in favor of the resolution to approve the New Labor Subcontract Framework Agreement and the proposed annual caps of the continuing connected transactions contemplated thereunder.

The Board of Directors (including the independent non-executive Directors having considered the advice of the Independent Financial Adviser) believes that the resolutions mentioned above are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board of Directors recommends the Shareholders to vote in favor of the resolutions at the EGM.

Your attention is drawn to the letter from the Independent Board Committee to the Independent Shareholders and the letter from Halcyon Capital Limited to the Independent Board Committee and the Independent Shareholders as set out in this circular.

By order of the Board

Chairman and Executive Director



河北建設集團股份有限公司
HEBEI CONSTRUCTION GROUP CORPORATION LIMITED
(A company limited by shares, incorporated in the People's Republic of China)
(Stock Code: 1727)

22 January 2020

To the Independent Shareholders

Dear Sir or Madam,

We have been appointed by the Board as members of the Independent Board Committee to advise the Independent Shareholders in respect of the fairness and reasonableness of the New Labor Subcontract Framework Agreement and the proposed annual caps of the continuing connected transactions contemplated thereunder, details of which are set out in the “Letter from the Board” in the circular dated 22 January 2020 (the “Circular”) to the Shareholders. Unless the context otherwise requires, terms defined in the Circular shall have the same meanings when used in this letter.

Your attention is drawn to the advice of Halcyon Capital Limited to the Independent Board Committee and the Independent Shareholders in respect of the New Labor Subcontract Framework Agreement and the proposed annual caps of the continuing connected transactions contemplated thereunder as set out in the “Letter from the Independent Financial Adviser” in the circular. Having taken into account the advice of Halcyon Capital Limited, we consider that the New Labor Subcontract Framework Agreement is entered into on normal commercial terms in the ordinary and usual course of business of the Company, the terms and the proposed annual caps of the continuing connected transactions contemplated thereunder are fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favor of the resolution to approve the New Labor Subcontract Framework Agreement and the proposed annual caps of the continuing connected transactions contemplated thereunder at the EGM.

Yours faithfully

For and on behalf of the Independent Board Committee

*Independent
non-executive director*

*Independent
non-executive director*

*Independent
non-executive director*

*Independent
non-executive director*

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11TH FLOOR
8 WYNDHAM STREET
CENTRAL
HONG KONG

22 January 2020

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

We refer to our engagement as the independent financial adviser to the Independent Board Committee in respect of the terms of the New Labor Subcontract Framework Agreement and the transactions contemplated thereunder, details of which are set out in the letter from the Board (the “
”) contained in a circular of the Company (the “
”) to the Shareholders dated 22 January 2020, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

On 31 December 2019, the Company and Baoding Tianli entered into the New Labor Subcontract Framework Agreement to renew the Labor Subcontract Framework Agreement dated 23 November 2017, pursuant to which Baoding Tianli shall provide labor subcontract services to the Group in the ordinary course of business of the Group, including but not limited to contracting for building construction projects and infrastructure construction projects, for which Baoding Tianli will charge the Group subcontract fees (including subcontract service fees, labor wages and social insurance expenses, taxation, auxiliary materials and tools costs, and other fees).

Since Baoding Tianli is a wholly-owned subsidiary of Zhongming Zhiye, while Zhongming Zhiye is held as to 92.5% by Zhongru Investment and as to 7.5% by Qianbao Investment, and each of Zhongru Investment and Qianbao Investment is a controlling Shareholder, Zhongming Zhiye is a connected person under Rule 14.07A(4) of the Listing Rules. By virtue of the aforesaid relationship, the provision of labor subcontracting services under the New Labor Subcontract Framework Agreement constitutes continuing connected transaction under Chapter 14A of the Listing Rules.

The Independent Board Committee, comprising Mr. Xiao Xuwen, Ms. Shen Lifeng, Ms. Chen Xin and Mr. Chan Ngai Sang Kenny, being all the independent non-executive Directors, has been formed to advise the Independent Shareholders as to (i) the New Labor Subcontract Framework Agreement and its proposed annual caps (the “ ”) are conducted in ordinary and usual course of business of the Company, are on normal commercial terms which are fair and reasonable, and are in the interests of the Company and the Independent Shareholders as a whole; and (ii) how the Independent Shareholders should vote on the relevant resolutions regarding the New Labor Subcontract Framework Agreement and the Annual Caps at the Extraordinary General Meeting.

Our role, as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the New Labor Subcontract Framework Agreement and the transactions contemplated thereunder, is to (i) provide the Independent Board Committee and the Independent Shareholders an independent opinion and recommendation as to whether the New Labor Subcontract Framework Agreement are entered into on normal and commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Group and the Independent Shareholders as a whole, and whether the terms thereof and the Annual Caps are fair and reasonable so far as the Company and the Independent Shareholders are concerned; and (ii) advise the Independent Shareholders on how to vote on the relevant resolutions regarding the New Labor Subcontract Framework Agreement and the Annual Caps at the Extraordinary General Meeting.

We are not associated with the Company, Baoding Tianli or their respective core connected

In formulating our advice and recommendation to the Independent Board Committee, we have relied on the information, financial information and the facts supplied to us and representations expressed by the Directors and/or management of the Group and have assumed that all such information, financial information and facts and any representations made to us, or referred to in the Circular, in all material aspects, are true, accurate and complete as at the time they were made and continue to be so as at the date of the Circular, has been properly extracted from the relevant underlying accounting records (in the case of financial information) and made after due and careful inquiry by the Directors and/or the management of the Group. The Directors have confirmed in the Circular that, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading and we have further been confirmed by the Company that no material facts have been omitted from the information supplied and representations expressed to us. We have also relied on certain information available to the public and have assumed such information to be accurate and reliable. We have no reason to doubt the completeness, truth or accuracy of the information and facts provided and we are not aware of any facts or circumstances which would render such information provided and representations made to us untrue, inaccurate or misleading.

Our review and analysis were based upon, among others, the information provided by the Group including the New Labor Subcontract Framework Agreement, the annual report of the Company for the year ended 31 December 2018 (the “ ”), the interim report of the Company for the six months ended 30 June 2019 (the “ ”), the prospectus of the Company dated 5 December 2017 (the “ ”), the Circular and certain published information from the public domain.

We have also discussed with the Directors and/or the management of the Group with respect to the terms of and reasons for the entering into of the New Labor Subcontract Framework Agreement, and considered that we have reviewed sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted an independent verification or appraisal of the information nor have we conducted any form of in-depth investigation into the businesses, affairs, financial position, profitability or the prospects of the Group, Baoding Tianli or any of their respective subsidiaries or associates. Nothing contained in this letter should be construed as a recommendation to hold, sell or buy and shares or any other securities of the Company.

In arriving at our opinion for the New Labor Subcontract Framework Agreement and the respective transactions contemplated thereunder, we have considered the following principal factors and reasons:

As stated in the 2018 Annual Report, the Group is a leading non-state owned construction group in the PRC and is principally engaged in construction contracting business and other businesses including property development and service concession arrangements. The Group provides construction contracting services mainly as a contractor for building construction projects and infrastructure construction projects, and over 95% of the revenue of the Group in 2018 was derived from the provision of construction contracting services.

According to the 2018 Annual Report, over 50% of the value of the new contracts and ongoing contracts of the Group's contracting construction business were attributable to the Beijing-Tianjin-Hebei Region and over 60% of the value of the new contracts and ongoing contracts of the Group's contracting construction business were attributable to building construction, followed by infrastructure construction of approximately 25.5%.

Set out below is the summary of key financial information of the Group for each of the two years ended 31 December 2018 and the six months ended 30 June 2018 and 2019 as extracted from the 2018 Annual Report and 2019 Interim Report:

	<i>RMB'mil</i>	<i>RMB'mil</i>	<i>RMB'mil</i>	<i>RMB'mil</i>
Revenue	46,649	41,177	20,297	19,766
Cost of sales	<u>(44,082)</u>	<u>(38,946)</u>	<u>(19,191)</u>	<u>(18,751)</u>
Gross profit	2,567	2,231	1,106	1,015
Profit before tax	1,607	1,565	736	678
Income tax expense	<u>(474)</u>	<u>(498)</u>	<u>(168)</u>	<u>(198)</u>
	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>

As illustrated in the above table, the Group has recorded strong financial results during the two years ended 31 December 2018 and six months ended 30 June 2018 and 2019, and according to the 2019 Interim Report, the consolidated net assets value of the Company attributable to the Shareholders reached approximately RMB5,408 million as at 30 June 2019.

For the six months ended 30 June 2019, revenue of the Group increased slightly by approximately 2.7%, which was principally driven by the increase in revenue derived from building construction segment of approximately RMB1,662 million and partially offset by the reduction in revenue derived from infrastructure construction segment of approximately RMB1,390 million. Over 98% of revenue of the Group was generated from its construction contracting business in the first half of 2019, which mainly comprised building construction

Financial position

Set out below is the highlight of financial position of the Group as at 30 June 2019 extracted from the 2019 Interim Report:

	<i>RMB'mil</i>
Total assets	59,453
Total liabilities	53,853
Net assets	5,600

The Group recorded total assets of approximately RMB59,453 million as at 30 June 2019 and over 95% of which were current assets. As at 30 June 2019, the current assets of the Group principally comprised contract assets of approximately RMB41,810 million, trade receivable of approximately RMB5,708 million, currency funds of approximately RMB4,189 million.

The Group recorded total liabilities of approximately RMB53,853 million as at 30 June 2019 and over 95% of which were current liabilities. As at 30 June 2019, the current liabilities of the Group principally comprised trade payable of approximately RMB35,819 million, contract liabilities of approximately RMB5,214 million and other payables of approximately RMB4,901 million.

The Group recorded a relatively slight increase in net assets attributable to shareholders of the parent from approximately RMB5,406 million as at 31 December 2018 to approximately RMB5,408 million as at 30 June 2019 as the effect of dividend distribution of approximately RMB588 million during the period had substantially offset the effect of profit for the period.

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As stated in the Letter from the Board, Baoding Tianli has expertise in labor subcontract services and has established a good reputation for its quality services in the labor industry. As stated in the Prospectus, the provision of labor subcontract services by Baoding Tianli to the Group commenced prior to 2014, when it was a subsidiary of the Company. Baoding Tianli has become familiar with the business needs of the Group and operational requirements through its long-term cooperation with the Group and thus can provide the Group with a sufficient number of laborers who have the requisite expertise and experience for the construction business of the Group, in a timely manner and in accordance with applicable laws and regulations. Accordingly, although the Company sold Baoding Tianli to Zhongming Zhiye in 2017 during the reorganization and preparation of the Company's listing on the Stock Exchange so as to focus on the principal businesses of the Group, the Directors of the Company (including the independent non-executive Directors) are of the view that it is in the interests of the Shareholders as a whole to enter into the New Labor Subcontract Framework Agreement with Baoding Tianli.

We noted that according to the 2018 Annual Report, the Group had over 400 labor subcontractors as at 31 December 2017 and 2018. As advised by the Group, labor subcontracting fee was majority of the labor costs which is one of the major costs of the Group and accounted for approximately 25% of the adjusted costs of the Group for the year ended 31 December 2018. Moreover, according to the pricing policy under the New Labor Subcontract Framework Agreement, when the Group subcontracts labor supply for the construction projects, public bidding procedures will be applied and the bidder with the highest score comprehensively determined by the review panel wins, and the bidding price offered by the bidder will be implemented. Accordingly, we concur with the view of the Directors that the continuation of provision of labor subcontracting services by Baoding Tianli to the Group is in the interests of the Company and the Independent Shareholders as a whole.

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As set out in the Letter from the Board, the principal terms of the New Labor Subcontract Framework Agreement are set out below:

31 December 2019

The Company (as the contractor); and

Baoding Tianli (as the sub-contractor).

According to the New Labor Subcontract Framework Agreement, Baoding Tianli shall provide labor subcontract services to the Group in its ordinary course of business, including but not limited to contracting for building construction projects and infrastructure construction projects, for which Baoding Tianli will charge the Group subcontract fees (including subcontract service fees, labor wages and social insurance expenses, taxation, auxiliary materials and tools costs, and other fees). The New Labor Subcontract Framework Agreement is valid for a term of three years after signed and sealed by the signing parties, and considered and approved by the board of directors and independent shareholders of the Company. The New Labor Subcontract Framework Agreement can be renewed for another three years upon its expiry as agreed by relevant parties to the agreement, upon which the Group will continue to comply with the applicable requirements under the Listing Rules. 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 New Labor Subcontract Framework Agreement.

According to the New Labor Subcontract Framework Agreement, the total subcontract fee to be paid by the Group to Baoding Tianli will be 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 consists 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 such 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 New Labor Subcontract Framework Agreement.

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- The Audit Committee of the Board, the office of the Board and various internal departments of the Company (including but not limited to the finance department and the legal department) will also regularly review the implementation of such framework agreement for the continuing connected transaction and the progress of the transaction semi-annually and quarterly, respectively. In addition, the Board will regularly review the pricing policy of such framework agreement for the continuing connected transaction on an annual basis; the Company's independent non-executive Directors and auditors will conduct annual reviews of the continuing connected transactions under the New Labor Subcontract Framework Agreement and provide annual confirmations in accordance with the Listing Rules to confirm that the transactions are conducted in accordance with the terms of the agreement, on normal commercial terms and in accordance with the pricing policy; and
 - When considering the actual subcontract fees in relation to the above connected persons, the Group will continue to regularly research in prevailing market conditions and practices and make reference to the pricing and terms between the Group and Independent Third Parties for similar transactions, to make sure that the pricing and terms offered by the above connected persons, are fair and reasonable. In particular, the Procurement Department of the Group will collect price information in the market at the end of each year and from time to time, by attending national labor service seminars (such as the annual meeting organized by the labor branch of China Construction Industry Association) and by collecting data from Yuncai Network, a business-to-business online procurement platform that provides nationwide services to construction companies and suppliers in China.

Furthermore, as set out in the management system on connected transactions adopted by the Company, the pricing of the connected transactions must be fair and with reference to the following principles that, among other things, except where the government pricing or the government-guided prices apply, if there is a comparable independent third party market price or charging standard, the transaction price may be determined with reference to such price or standard with priority; where there is no comparable independent third party market price, the transaction price may be determined with reference to the price of a non-related party transaction occurring between the related party and a third party independent of such related party; and if there is neither independent third party market price nor independent non-related party transaction price for reference, a reasonable price could be served as the pricing basis, the formed price is the reasonable cost plus the reasonable profit. For pricing of connected transactions are determined based on the abovementioned principles, different pricing methodology shall be adopted depending on the types and circumstances of connected transactions to be entered into, which includes cost-plus method, resale price method, comparable sales method, comparable net profit method and profit split method. Taking into account that according to the pricing policy under the New Labor Subcontract Framework Agreement, there shall be at least three bidders, and the bidding procedure will involve the review panel taking into consideration factors including, but not limited to, the comparable quoted bidding prices, the bidder's licenses and qualifications, business scale and capacities and its historical results in evaluating the bids, we consider that the pricing policy under the New Labor Subcontract Framework Agreement is consistent with the aforesaid management system.

In addition, we noted from the 2017 Annual Report and 2018 Annual Report that the auditors and the independent non-executive directors of the Company have reviewed the Group's continuing connected transactions and confirmed that, among other things, the relevant transactions carried out in the years ended 31 December 2017 and 2018 were carried out in the accordance with the terms of the relevant Labor Subcontract Framework agreement. Moreover, as stated in the 2017 Annual Report and 2018 Annual Report, the auditors of the Company confirmed that, among other things, the relevant continuing connected transactions carried out in the years ended 31 December 2017 and 2018 were carried out in the accordance with the terms of the relevant Labor Subcontract Framework Agreement and the transactions were carried out in the years ended 31 December 2017 and 2018 were carried in accordance with the pricing policies of the Company.

Meanwhile, we have obtained and reviewed the documents regarding the result of the bid evaluations of the bid review panel regarding (i) the labor subcontracting contract granted to Baoding Tianli with the largest contract value and (ii) the labor subcontracting contract granted to Independent Third Party with the largest contract value (which Baoding Tianli has participated, but not winning, in the relevant bid), for each of (a) the six months ended 31 December 2018; (b) 30 June 2019; and (c) 31 December 2019. We noted that, as set out in the bid evaluation forms, the assessment of each bidder would be conducted by way of a scoring system for two main parts, being (i) the competitiveness of the bidding price offered, and (ii) the technical skills and track record of the bidders (including the quality and technicality of the proposed construction plan, feasibility of the implementation of the scheduled project timetable, possession of relevant experiences in other similar projects and etc). We have also reviewed the bidding price of the relevant bidders for each of the selected projects and noted that bidders with higher bidding price got lower score and vice versa, and the result of the bids was determined based on the combined score of the two parts mentioned above. We consider that our finding is in line with the pricing policy and management system on connected transactions adopted by the Company.

We have also obtained and reviewed the gross profit margin of the top ten revenue-contributing projects for each of the year ended 31 December 2017, 2018 and six months ended 30 June 2019 which comprised 12 projects, of which Baoding Tianli has participated in three projects as labor subcontractor (the “ ”); and was not involved as labor subcontractor for the remaining nine projects (the “ ”). We noted that the average gross profit margin of the Baoding Tianli-related Projects was comparable to that of the Non-Baoding Tianli-related Projects and the overall gross profit margins of construction contracting business of the Group for the year ended 31 December 2017 and 2018.

The table below set out the historical transaction amounts between the Group and Baoding Tianli in respect of the labor subcontract services under the Labor Subcontract Framework Agreement for each of the two years ended 31 December 2018 and the six months ended 30 June 2019, the annual caps under the Labor Subcontract Framework Agreement for each of the three years ended 31 December 2019 and the proposed Annual Caps for each of the three years ending 31 December 2022:

	<i>RMB'mil</i>	<i>RMB'mil</i>	<i>RMB'mil</i>
Actual amount	1,918	3,871	1,977
Annual cap	2,000	4,000	7,000 (<i>Note</i>)
Utilisation rate	95.9%	96.8%	56.5% (<i>Note</i>)

Note: The annual cap of the labor subcontract services under the Labor Subcontract Framework Agreement for the year ended 31 December 2019 was RMB7,000 million and the utilisation rate for the six months ended 30 June 2019 was annualised based on the actual transaction amount for the six months ended 30 June 2019 multiplied by 2 and divided by the annual cap for the year ended 31 December 2019.

	<i>RMB'mil</i>	<i>RMB'mil</i>	<i>RMB'mil</i>
	4,000	4,000	4,000

As stated in the Letter from the Board, the Annual Caps has been determined based on the following bases:

The Group estimates costs of sales by taking into account: (i) the historical performance in principal business of construction contracting of the Group; (ii) business development plan and expected growth trend in years 2020 to 2022 of the Group; and (iii) the average percentages of the adjusted cost of sales to the adjusted revenue for the two years ended 2017 and 2018 and the six months ended 30 June 2019. It is expected that the Group's cost of sales will be increased by approximately 10% to 15% on a year-by-year basis for the three years ending 31 December 2022 together with business growth (the year-on-year increase of the cost of sales across the five years ended 31 December 2014, 2015, 2016, 2017 and 2018 were 8.64%, 40.18%, 8.19% and 13.53%, respectively);

Labor cost of the Group was approximately RMB10,183 million, RMB11,148 million and RMB4,800 million for the two years ended 2017 and 2018 and the six months ended 30 June 2019, accounting for approximately 26%, 25% and 25% of its adjusted cost of sales, respectively, during the same period. After considering the business development trend of the Group, it is estimated that the percentages of the Group's annual labor costs, such as subcontract fees to be paid to labor subcontractors (including Baoding Tianli and/or other independent third-party labor subcontractors), to total costs of sales of the Group for the same period will remain stable in the next three years; and

For the two years ended 2017 and 2018 and the six months ended 30 June 2019, the subcontract fee paid to Baoding Tianli by the Group accounted for approximately 18.84%, 34.72% and 40.51% of the total labor costs of the Group, respectively, with an average of 31.36%. As the Group is expanding its business nationwide and achieving steady growth in various provinces and cities, the need for labor services of the Group is rising. Considering that Baoding Tianli operates its business mainly in Beijing, Tianjin and Hebei while relatively less in other provinces, the Group will consider local labor service providers when conducting businesses involving labor services in other provinces in the future. Therefore, the rate of Baoding Tianli's subcontract fee to the Group's labor costs will be downsizing, and it is expected that Baoding Tianli's subcontract fee will remain stable in the next three years.

Our analysis on the proposed Annual Caps

To assess the fairness and reasonableness of the Annual Caps, we have discussed with the management of the Company and reviewed the calculation in relation thereto. We are given to understand that the proposed annual cap for the year ending 31 December 2020 were principally determined based on the expectation that the transaction amount with Baoding Tianli shall remain stable as compared to the year ended 31 December 2018 and 2019.

Meanwhile, given the duration of the construction contracting projects of the Group may cover a number of months or even span over two to three years, we are given to understand that, in preparing for the annual cap for the year ending 31 December 2020, the Group has also made reference to the aggregate outstanding labor subcontract contract value with Baoding Tianli of over RMB4.0 billion as at 31 December 2019.

As further advised by the Group, it is currently expected that the total transaction amount with Baoding Tianli under the Labor Subcontract Framework Agreement for the year ended 31 December 2019 (the “ ”) may not exceed RMB4,000 million. We noted that the historical annual transaction amounts between the Group and Baoding Tianli in respect of the labor subcontract service under the Labor Subcontract Framework Agreement for each of the two years ended 31 December 2017 and 2018 was approximately RMB1.9 billion and RMB3.8 billion, respectively, and the Expected 2019 Amount may not exceed RMB4.0 billion (which is approximately two times of the actual transaction amount for the six months ended 30 June 2019), while the proposed Annual Caps for the year ending 31 December 2020 equal to the upper bound of the Expected 2019 Amount of RMB4.0 billion and represented a slight increase of approximately 5% as compared to the transaction amount for the year ended 31 December 2018.

As advised by the management of the Company and as stated above, the transaction amount is expected to remain stable after taking into account of the expected growth in revenue and cost of sales of the Group which is expected to be offset by the reduction in the rate of Baoding Tianli’s subcontract fee to the Group’s labor costs when the Group expands its reach to some provinces that Baoding Tianli have little or no market share. On the other hand, we also noted that, according to National Bureau of Statistics of China, the compound annual growth rate of average salary of employed personnel of construction industry in the city was approximately 10.7% from 2009 to 2018, and the growth rate of average salary of employed personnel of construction industry in the city for 2018 was approximately 8.9%, and the expected growth in revenue and cost of sales of the Group only represented a mild increase over such growth rate in salary in recent years.

Meanwhile, as stated in the 2018 Annual Report, approximately 61.27% of the ongoing contract backlog of building construction business was in Beijing-Tianjin-Hebei Region while we noted from the 2019 Interim Report that only approximately 52.18% of new contract value of the Group for the six months ended 30 June 2019 was in Beijing-Tianjin-Hebei Region. On the other hand, we noted that according to the announcement of the Company dated 25 October 2019, approximately 56.98% of new contract value of the Group for the three months ended 30 September 2019 was in Beijing-Tianjin-Hebei Region, before taking into account of the winning of the ZT2 bid section of main body construction project of Beijing-Hebei boundary to Tianjin-Shijiazhuang Expressway section along Beijing New Airport – Dezhou Expressway with contract amount of approximately RMB1.19 billion as announced on 15 October 2019. In this regard, we consider that although regions other than Beijing-Tianjin-Hebei Region projects might account for a greater portion as compared to the previous years, Beijing-Tianjin-Hebei Region shall remain as the major region of the Group in near terms.

Taking into account of the aforesaid and the fact that the proposed annual cap under the New Labor Subcontract Framework Agreement for each of the year ending 31 December 2020, 2021 and 2022 only represented approximately 9.1% of the total cost of sales of the Group in 2018, we consider that the proposed Annual Caps are fair and reasonable.

Taking into account of the aforesaid, we concur with the view of the Directors that the entering into of the New Labor Subcontract Framework Agreement with Baoding Tianli and the Annual Caps are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

Having considered the factors and analyses above, we consider that (i) the labour subcontracting services under the New Labor Subcontract Framework Agreement is related to the construction contracting services of the Group, which is part of the ordinary and usual course of business of the Group; (ii) the terms of Labor Subcontract Framework Agreement are on normal commercial terms; (iii) the entering into of the New Labor Subcontract Framework Agreement and the Annual Caps are fair and reasonable so far as the Company and the Independent Shareholders are concerned; and (iv) the entering into of the New Labor Subcontract Framework Agreement are in the interests of the Company and the Independent Shareholders as a whole.

Accordingly, we advise (i) the Independent Board Committee to recommend the Independent Shareholders and (ii) the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the Extraordinary General Meeting to approve the New Labor Subcontract Framework Agreement and the Annual Caps.

Yours faithfully,
for and on behalf of

Chairman

Director

Mr. Chan is a licensed person registered with the Securities and Futures Commission and a responsible officer of Halcyon Capital Limited, which is licensed under the SFO to carry out Type 6 (advising on corporate finance) regulated activities. Mr. Chan has participated in the provision of independent financial advisory services for various transactions involving companies listed on the Stock Exchange.

Mr. Lai is a licensed person registered with the Securities and Futures Commission and a responsible officer of Halcyon Capital Limited, which is licensed under the SFO to carry out Type 6 (advising on corporate finance) regulated activities. Mr. Lai has participated in the provision of independent financial advisory services for various transactions involving companies listed on the Stock Exchange.



河北建設集團股份有限公司

HEBEI CONSTRUCTION GROUP CORPORATION LIMITED

(A company limited by shares, established in the People's Republic of China)

(Stock Code: 1727)

that the 2020 first extraordinary general meeting (the “ ”) of Hebei Construction Group Corporation Limited (the “ ”) will be held at Meeting Room, 3/F, No. 329, Wusi West Road, Jingxiu District, Baoding City, Hebei Province, the People’s Republic of China (the “ ”) at 9:00 a.m. on Monday, 17 February 2020 to consider and, if thought fit, approve the following resolutions (with or without modification).

1. Resolution in relation to the amendment to the Articles of Association
2. Resolution in relation to the amendment to the Rules of Procedure for General Meetings
3. Resolution in relation to the entering into of the Labor Subcontract Framework Agreement

By order of the Board

Chairman and Executive Director

Hebei, the PRC, 3 January 2020

Notes:

- (1) The register of members of the Company will be closed from Saturday, 18 January 2020 to Monday, 17 February 2020 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to qualify for attending and voting at the EGM, holders of H shares of the Company shall deliver all duly completed and signed transfer documents together with the relevant share certificates to the Company's H Share Registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on Friday, 17 January 2020.
- (2) Shareholders who intend to attend the EGM should complete the reply slip for the EGM and return the same by hand, fax or mail to the Company's H Share Registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, fax number: (852) 2861 1465 (for holders of H shares of the Company), or to the Company's registered office in the PRC at No. 125, Lugang Road, Jingxiu District, Baoding City, Hebei Province, the PRC, fax number: (86) 312 301 9434 (for holders of domestic shares of the Company), on or before Tuesday, 28 January 2020.
- (3) Shareholders entitled to attend and vote at the EGM can complete the proxy form provided by the Company to appoint one or more person to attend and vote on his/her/its behalf at the EGM. A proxy need not be a shareholder of the Company. For shareholder who appoints more than one proxy, his/her/its proxies can only exercise their voting right in a poll.
- (4) A shareholder shall appoint his/her/its proxy by an instrument in writing under the hand of the shareholder or of his/her/its attorney duly authorized in writing. If the shareholder is a corporation, the instrument in writing shall be either under its common seal or under the hand of its authorized representative or an attorney duly authorized. If the instrument in writing is signed by an attorney of the shareholder, the power of attorney authorizing the attorney to sign, or other authorization documents must be notarized.
- (5) In order to be valid, the proxy form and the related notarized power of attorney (if any) and other authorization documents (if any) referred in note (4) above must be lodged to the Company's H Share Registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong (for holders of H shares of the Company), or to the Company's registered office in the PRC at No. 125, Lugang Road, Jingxiu District, Baoding City, Hebei Province, the PRC (for holders of domestic shares of the Company), not less than 24 hours before the time appointed for holding the EGM or any adjournment thereof (as the case may be) (i.e. no later than 9:00 a.m. on Sunday, 16 February 2020). Completion and return of the form of proxy will not preclude you from attending and voting at the meeting in person should you so wish. If you attend and vote at the EGM, the authority of your proxy will be revoked.
- (6) Shareholders or their proxy(ies) should produce his/her identification document when attending the EGM. If the shareholder is a corporation, its authorized representative or the person authorized by its board of directors or other authorities shall produce the copy of the authorization documents appointing him/her to attend the meeting issued by the board of directors or other authorities of such corporate shareholder.
- (7) The EGM is expected to last for no more than half day. Shareholders who attend the EGM shall bear their own travelling and accommodation expenses.
- (8) Contact information of the Board office is set out below:

Address: No. 125, Lugang Road, Jingxiu District, Baoding City, Hebei Province, the PRC
Post code: 071000
Contact person: Mr. Li Wutie
Tel: (86) 312 331 1028
Fax: (86) 312 301 9434



河北建設集團股份有限公司
HEBEI CONSTRUCTION GROUP CORPORATION LIMITED
(A company limited by shares, incorporated in the People's Republic of China)
(Stock Code: 1727)

that the 2020 first H Shareholders class meeting (the “
”) of Hebei Construction Group Corporation Limited (the “
”) will be held at Meeting Room, 3/F, No. 329, Wusi West Road, Jingxiu District, Baoding City, Hebei Province, the People’s Republic of China (the “
”) on Monday, 17 February 2020 at 9:40 a.m. or immediately after the conclusion of the 2020 first extraordinary general meeting and the 2020 first domestic shareholders class meeting of the Company (or any adjournment thereof) to consider and, if thought fit, approve the following resolutions (with or without modification).

1. Resolution in relation to the amendment to the Articles of Association
2. Resolution in relation to the amendment to the Rules of Procedure for General Meetings

By order of the Board

Chairman and Executive Director

Hebei, the PRC, 3 January 2020

Notes:

- (1) The register of members of the Company will be closed from Saturday, 18 January 2020 to Monday, 17 February 2020 (both days inclusive), during which period no transfer of H shares of the Company will be registered. In order to qualify for attending and voting at the H Shareholders Class Meeting, holders of H shares of the Company shall deliver all duly completed and signed H share transfer documents together with the relevant share certificates to the Company's H Share Registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on Friday, 17 January 2020.
- (2) H shareholders who intend to attend the H Shareholders Class Meeting should complete the reply slip for the H Shareholders Class Meeting and return the same by hand, fax or mail to the Company's H Share Registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, fax number: (852) 2861 1465, on or before Tuesday, 28 January 2020.
- (3) H shareholders entitled to attend and vote at the H Shareholders Class Meeting can complete the proxy form provided by the Company to appoint one or more person to attend and vote on his/her/its behalf at the H Shareholders Class Meeting. A proxy need not be an H shareholder of the Company. For H shareholder who appoints more than one proxy, his/her/its proxies can only exercise their voting right in a poll.
- (4) An H shareholder shall appoint his/her/its proxy by an instrument in writing under the hand of the H shareholder or of his/her/its attorney duly authorized in writing. If the H shareholder is a corporation, the instrument in writing shall be either under its common seal or under the hand of its authorized representative or an attorney duly authorized. If the instrument in writing is signed by an attorney of the H shareholder, the power of attorney authorizing the attorney to sign, or other authorization documents must be notarized.
- (5) In order to be valid, the proxy form and the related notarized power of attorney (if any) and other authorization documents (if any) referred in note (4) above must be lodged to the Company's H Share Registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not less than 24 hours before the time appointed for holding the H Shareholders Class Meeting or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting at the meeting in person should you so wish. If you attend and vote at the H Shareholders Class Meeting, the authority of your proxy will be revoked.
- (6) H shareholders or their proxy(ies) should produce his/her identification document when attending the H Shareholders Class Meeting. If the H shareholder is a corporation, its authorized representative or the person authorized by its board of directors or other authorities shall produce the copy of the authorization documents appointing him/her to attend the meeting issued by the board of directors or other authorities of such corporate shareholder.
- (7) The H Shareholders Class Meeting is expected to last for no more than half a day. H shareholders who attend the H Shareholders Class Meeting shall bear their own travelling and accommodation expenses.
- (8) Contact information of the Board office is set out below:

Address: No. 125, Lugang Road, Jingxiu District, Baoding City, Hebei Province, the PRC
Post code: 071000
Contact person: Mr. Li Wutie
Tel: (86) 312 331 1028
Fax: (86) 312 301 9434

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

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

Mr. Li Baoyuan ^{1,2}	Interest in controlled corporation	1,300,000,000	Domestic Shares	Long position	100%	73.8%
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- As at the Latest Practicable Date, Qianbao Investment directly holds 7.5% of the equity interests in the Company and 43.63% of the equity interests in Zhongru Investment. In addition, each of the 119 individuals holding in aggregate the remaining 56.37% of the equity interests in Zhongru Investment has respectively undertaken that they have followed since the establishment of Zhongru Investment or when each of them became a shareholder of Zhongru Investment, and will continue to follow Qianbao Investment in exercising their voting powers at the shareholders' general meetings of Zhongru Investment and all other rights of shareholders of Zhongru Investment. Therefore, Qianbao Investment is deemed to be interested in 100% of the equity interests in Zhongru Investment and thus be interested in the 1,202,500,000 Shares held by Zhongru Investment for the purpose of Part XV of the SFO.

2. As at the Latest Practicable Date, Mr. Li Baoyuan directly holds 90% of the equity interests in Qianbao Investment, which directly and indirectly holds 100% of the equity interests in Zhongru Investment and directly holds 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.

Mr. Li Baoyuan ¹	Qianbao Investment ²	Beneficial owner	45,000,000 shares	Long position	90.00%
	Zhongru Investment ³	Interest in controlled corporation	231,000,000 shares	Long position	100.00%
Mr. Li Baozhong	Qianbao Investment ²	Beneficial owner	5,000,000 shares	Long position	10.00%
Mr. Cao Qingshe	Zhongru Investment ³	Beneficial owner	5,000,000 shares	Long position	2.16%
Mr. Shang Jinfeng	Zhongru Investment ³	Beneficial owner	1,000,000 shares	Long position	0.43%
Mr. Zhao Wensheng	Zhongru Investment ³	Beneficial owner	1,000,000 shares	Long position	0.43%
Mr. Liu Yongjian	Zhongru Investment ³	Beneficial owner	2,000,000 shares	Long position	0.86%
Mr. Yu Xuefeng	Zhongru Investment ³	Beneficial owner	1,000,000 shares	Long position	0.43%
Mr. Liu Jingqiao	Zhongru Investment ³	Beneficial owner	498,960 shares	Long position	0.22%
Mr. Yue Jianming	Zhongru Investment ³	Beneficial owner	498,960 shares	Long position	0.22%

Notes:

1. As at the Latest Practicable Date, Mr. Li Baoyuan directly held 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 the shareholders' general meetings of Zhongru Investment 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.

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2. As at the Latest Practicable Date, the total share capital of Qianbao Investment is 50,000,000 shares.
 3. As at the Latest Practicable Date, 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 the Latest Practicable Date, none of the Directors, Supervisors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (as defined in Part XV of the SFO) which were (i) required to be notified to the Company and the 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.

As at the Latest Practicable Date, so far as the Directors were aware of, none of the Directors and their respective associates had any interest in a business which competes or is likely to compete with the business of the Group.

- (i) As of the Latest Practicable Date, the following Directors held directorship or were employees of another company which had interests or short positions in the Shares and underlying Shares of the Company which fell to be disclosable in accordance with the provisions of Divisions 2 and 3 of Part XV of the SFO.

Li Baoyuan	Chairman of Zhongru Investment, executive director and general manager of Qianbao Investment
Li Baozhong	Director of Zhongru Investment and supervisor of Qianbao Investment
Cao Qingshe	Director and general manager of Zhongru Investment

- (ii) As of the Latest Practicable Date, none of the Directors held material interests in any contracts or arrangements entered into with the Group that were still in existence and material to the Group.
- (iii) Save as disclosed above, as of the Last Practicable Date, none of the Directors had any direct or indirect interest in any assets acquired or sold or leased or proposed to be acquired or sold or leased by any member of the Group since 31 December 2018 (i.e. the settlement date of the latest audited consolidated financial statements issued by the Group).

As of the Last Practicable Date, the Company and any member of the Group had not involved in any material litigation or claims. To the knowledge of the Directors, no member of the Group had any pending or threatened material litigation or claims.

During the two years prior to the date of this circular, none of the Group's members had entered into any material contracts (except those entered into in the Group's daily business).

As at the Latest Practicable Date, the following persons (not being the Directors, Supervisors or chief executives of the Company) had interests or short positions in the Shares or underlying Shares of the Company which, to the knowledge of any Director, fell to be disclosable in accordance with the provisions of Divisions 2 and 3 of Part XV of the SFO:

Save as disclosed above, as at the Latest Practicable Date, to the best knowledge of the Directors, there were no other persons who had interests or short positions in the Shares or underlying Shares of the Company, which were required to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO and recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

As at the Latest Practicable Date, none of the Directors had entered into or was proposing to enter into any service contracts with the Company or any of its subsidiaries, excluding contracts expiring or terminable within one year without payment of compensation other than statutory compensation.

The following is the qualification of the expert who has given opinion or advice which is contained in this circular:

Halcyon Capital Limited

a licensed corporation to carry out Type 6
(advising on corporate finance) regulated
activity under the SFO

- (1) As at the Latest Practicable Date, the above expert did not have any direct or indirect shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.
- (2) As at the Latest Practicable Date, the above expert did not have any direct or indirect interests in any assets which have been acquired or disposed of by or leased to or which were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2018, being the date to which the latest published audited consolidated accounts of the Company were prepared.
- (3) Halcyon Capital Limited issued a letter dated 22 January 2020 for the purpose of incorporation in this circular in connection with its recommendation to the Independent Board Committee and the Independent Shareholders.
- (4) The above expert has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its expert's opinions and reference to its name in the form and context in which they appear.

Copies of the following documents are available for inspection during normal business hours on any working day (public holidays excepted) at the Company's principal place of business in Hong Kong at 40th Floor, Sunlight Tower, 248 Queen's Road East, Wanchai, Hong Kong from the date of this circular up to and including the date of the EGM:

- (1) the New Labor Subcontract Framework Agreement;
- (2) the letter from the Independent Board Committee to the Independent Shareholders as set out on page 29 of this circular;
- (3) the letter from Halcyon Capital Limited to the Independent Board Committee and the Independent Shareholders as set out on pages 30 to 43 of this circular;
- (4) the written consents referred to in paragraph 9 of this appendix; and
- (5) this circular.

- (1) As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the Group's financial or trading position since 31 December 2018, being the date on which the latest published audited consolidated accounts of the Company were prepared.
- (2) The registered office of the Company is No. 125 Lugang Road, Jingxiu District, Baoding City, Hebei Province, the PRC and the postal code is 071000.
- (3) ~~The Joint Share Registrar Investor Services limited~~ at level 54 Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (4) The joint of the
Ms. Olga Semberf Hogongst-12 Graitu-12 Gra0127.55 efhartered decretarsd
The Chartered Governance Institute (formerly known as the Institute of Chartered Secretaries and Administrators) in the United Kingdom.
- (5) If there is any discrepancy between the English text and Chinese text of this circular, the English text shall prevail.