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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Hebei Construction Group Corporation Limited, you should at once hand this circular and the relevant form of proxy 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 joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 1727)

- (1) 2023 ANNUAL REPORT**
 - (2) 2023 FINANCIAL REPORT**
 - (3) WORK REPORT OF THE BOARD FOR 2023**
 - (4) WORK REPORT OF THE BOARD OF SUPERVISORS FOR 2023**
 - (5) PROFIT DISTRIBUTION PROPOSAL FOR 2023**
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 - (13) GENERAL MANDATE TO ISSUE SHARES AND**
 - (14) NOTICE OF 2023 ANNUAL GENERAL MEETING**
-

A letter from the Board is set out on pages 4 to 25 of this circular.

A notice of AGM of the Company to be held physically at 8:30 a.m. on Monday, 24 June 2024 at Meeting Room No. 1, 3/F, No. 125 Lugang Road, Jingxiu District, Baoding City, Hebei Province, the PRC is set out on pages 54 to 56 of this circular. A form of proxy for use at the AGM is also enclosed. Such form of proxy is 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 AGM, holders of Shares of the Company are requested to complete the enclosed form of proxy of the Company in accordance with the instructions printed thereon and return it to the Company's H Share Registrar, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, 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 AGM or any adjournment thereof (i.e. not later than 8:30 a.m. on Sunday, 23 June 2024). Completion and return of the form of proxy will not preclude Shareholders from attending and voting in person at the AGM or any adjournment thereof if you so wish.

24 May 2024

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DEFINITIONS

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

“AGM”	the 2023 annual general meeting of the Company to be convened and held physically at 8:30 a.m. on Monday, 24 June 2024 at Meeting Room No. 1, 3/F, No. 125 Lugang Road, Jingxiu District, Baoding City, Hebei Province, the PRC
“Articles of Association”	the articles of association of the Company, as amended, supplemented or otherwise modified from time to time
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board” or “Board of Directors”	the board of Directors of the Company
“Board of Supervisors”	the board of Supervisors of the Company
“Company”	Hebei Construction Group Corporation Limited
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“connected transaction(s)”	has the meaning ascribed to it under the Listing Rules
“Construction Auxiliary Service Framework Agreement”	the construction auxiliary service framework agreement entered into between the Company and Zhongming Zhiye on 22 November 2021
“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
“Director(s)”	the director(s) of the Company
“Domestic Shares”	ordinary Shares in the share capital of the Company, with a nominal value of RMB1.00 each, which are subscribed for or credited as fully paid in Renminbi
“Engineering Construction Related Services Framework Agreement”	the engineering construction related services framework agreement entered into between the Company and Zhongming Zhiye on 6 May 2024
“Engineering Construction Service Framework Agreement”	the engineering construction service framework agreement entered into between the Company and Zhongming Zhiye on 22 November 2021

DEFINITIONS

“Group”	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
“HK dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	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 Engineering Construction Related Services Framework Agreement and the transactions contemplated thereunder, and the proposed annual caps for 2025, 2026 and 2027
“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 Engineering Construction Related Services Framework Agreement and the transactions contemplated thereunder, and the proposed annual caps for 2025, 2026 and 2027
“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”	21 May 2024, 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, supplemented or otherwise modified from time to time)
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 of the Listing Rules
“PPP”	public-private partnership, a partnership based on a framework agreement and entered into by and between the government and private organizations for co-construction of infrastructure projects or provision of certain public goods and services

DEFINITIONS

“PRC”	the People’s Republic of China, for the purpose of this circular, excluding Hong Kong, Macau Special Administrative Region and Taiwan
“Qianbao Investment”	Qianbao Investment Co., Ltd. (乾寶投資有限責任公司) (formerly known as Baoyuan Investment Co., Ltd. (寶元投資有限責任公關 ~ む 歴 む 流 む

LETTER FROM THE BOARD



河北建設集團股份有限公司

HEBEI CONSTRUCTION GROUP CORPORATION LIMITED

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

(Stock Code: 1727)

3.

LETTER FROM THE BOARD

I. INTRODUCTION

The Company proposes to convene the AGM at 8:30 a.m. on Monday, 24 June 2024 at Meeting Room No. 1, 3/F, No. 125 Lugang Road, Jingxiu District, Baoding City, Hebei Province, the PRC. The notice convening the AGM is set out on pages 54 to 56 of this circular.

The purpose of this circular is to provide you with details regarding the resolutions to be proposed at the AGM for your consideration and approval as ordinary resolutions or special resolutions, as the case may be, at the AGM, 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 those resolutions. Such resolutions and relevant details are set out in the letter from the Board.

II. MATTERS TO BE RESOLVED AT THE AGM

ORDINARY RESOLUTIONS

1. 2023 Annual Report

An ordinary resolution will be proposed at the AGM to approve the 2023 Annual Report. For the full text of the report, please refer to the annual report of the Company for the year ended 31 December 2023 (“**2023 Annual Report**”), which was published on the website of the Company and the HKExnews website of the Stock Exchange on 18 April 2024.

2. 2023 Financial Report

An ordinary resolution will be proposed at the AGM to approve the 2023 Financial Report. For the full text of the report, please refer to the 2023 Annual Report.

3. Work Report of the Board for 2023

An ordinary resolution will be proposed at the AGM to approve the Report of the Board for 2023. For the full text of the report, please refer to the 2023 Annual Report.

4. Work Report of the Board of Supervisors for 2023

An ordinary resolution will be proposed at the AGM to approve the Report of the Board of Supervisors for 2023. For the full text of the report, please refer to the 2023 Annual Report.

LETTER FROM THE BOARD

5. Profit Distribution Proposal for 2023

An ordinary resolution will be proposed at the AGM to approve the Profit Distribution Proposal of the Company for 2023.

Based on the audited financial report of the Company for the year 2023, the Company recorded a net profit attributable to parent company of RMB355,487,000 for the year 2023, which, together with the undistributed profits of the parent company of RMB2,056,950,000 at the beginning of the year 2023 and the withdrawal of surplus reserve of RMB35,548,000, resulted in the Company's total distributable profits attributable to the parent company at the end of 2023 of RMB2,376,889,000.

In order to ensure the continuous and stable operation of the Company and to safeguard the long-term interests of all Shareholders, and taking into account the Company's business plan and capital requirements for 2024, the Board did not recommend the payment of a final dividend to Shareholders for the year ended 31 December 2023. The Company's undistributed profits are carried forward for distribution in future years.

6. Remuneration of Directors for 2023

An ordinary resolution will be proposed at the AGM to approve the remuneration of Directors for 2023.

Remuneration of Directors for 2023 was determined pursuant to relevant provisions under the Articles of Association and the related contracts entered into between the Company and the Directors. For details, please refer to the 2023 Annual Report.

7. Remuneration of Supervisors for 2023

An ordinary resolution will be proposed at the AGM to approve the remuneration of Supervisors for 2023.

Remuneration of Supervisors for 2023 was determined pursuant to relevant provisions under the Articles of Association and the related contracts entered into between the Company and the Supervisors. For details, please refer to the 2023 Annual Report.

8. Financing Plan for 2024

An ordinary resolution will be proposed at the AGM to approve the Financing Plan for 2024. It is proposed that the AGM authorizes the Board, which may further delegate such authority to the Chairman or the management to make decisions on the financing activities of the Company in 2024 within the framework of the Financing Plan for 2024.

LETTER FROM THE BOARD

According to the 2024 financial budget of the Company and taking into account the capital requirements out of comprehensive consideration for the development plan and the status of business development of the Company, the Company has the following arrangements regarding the Financing Plan for 2024:

(1) Financing Plan

The financing facilities for working capital loan, bill financing and factoring financing of the Company (including wholly-owned and holding subsidiaries) are expected to be RMB9.7 billion for 2024 (excluding PPP projects), of which, the planned financing facilities of the Company (including the branches) amount to RMB6.4 billion, the planned financing facilities of its wholly-owned and holding subsidiaries amount to RMB3.3 billion, and the financing facilities of PPP project companies amount to RMB1.1 billion (including those undertaken and to be undertaken). The following table shows the breakdown of the financing plan:

**Financing schedule of
Hebei Construction Group Corporation Limited for 2024**

Unit: RMB100 million

Target	Expected financing amount	Expected period
The Company (including its branches)	64	1-3 years
Wholly-owned and holding subsidiaries of the Company	33	1-3 years
PPP project financing undertaken	11	2-10 years
Total	<u>108</u>	

(2) Credit Facility Plan

The Company (including branches and subsidiaries) intends to obtain total credit facilities of RMB20.0 billion from various financial institutions in 2024. The Company plans to obtain total credit facilities of up to RMB15.0 billion from various financial institutions, with no more than RMB5.0 billion of total credit facilities for subsidiaries.

The above credit facilities of various banks are preliminary proposed facilities. The Company will deploy and use the aggregate financing facilities within the limit of RMB20.0 billion (including existing facilities) among various banks according to the actual situation. The specific facilities amount of each bank is subject to the agreement entered into between the Company and the bank.

LETTER FROM THE BOARD

9. Guarantee Arrangement for 2024

An ordinary resolution will be proposed at the AGM to approve the Guarantee Arrangement for 2024. It is proposed that the AGM authorizes the Board, which may further delegate such authority to the Chairman or the management to make decisions on the grant of guarantee of the Company in 2024 within the framework of the Guarantee Arrangement for 2024.

In order to meet its production and operational needs, the Company has formulated the guarantee plan for 2024 taking into account the actual capital flow and the Financing Plan for 2024, details of which are as follows:

The guarantee plan for 2024 was developed based on the actual circumstances of the Company and its branches and subsidiaries, and with reference to the capital requirements as reported by the business units of the Company. To ensure steady development of the Company, it will provide new investment for continued project construction and finance the loans granted in the original projects. For risk management and control purpose, the Company will strictly review new projects, so that project financing and guarantee will be in compliance with relevant requirements of the Company Law of the People's Republic of China and the approval procedures.

The total amount of various guarantees of the Company and its subsidiaries is estimated to be RMB8.1 billion for 2024, of which, the Company will provide various guarantees, including working capital, bill financing and letter of guarantee for an amount of RMB4.0 billion for investees, holding subsidiaries and third parties; and guarantees, for a total amount of RMB1.1 billion for PPP project (SPV) companies; and the subsidiaries will provide guarantees for a total amount of RMB3.0 billion for the Company, other consolidated subsidiaries of the Group, investees and third parties.

Breakdown of the Guarantee Arrangement

Unit: RMB100 million

Guarantee Business	Amount of Guarantee	Terms of Guarantee
Provided by the Company to investees and holding subsidiaries and third-party companies	40	1-3 years
Provided to PPP project (SPV) companies	11	2-10 years
External guarantees of subsidiaries	30	1-3 years
Total	<u>81</u>	

LETTER FROM THE BOARD

10. Appointment of Domestic Auditor for 2024 and Determination of its Remunerations

An ordinary resolution will be proposed at the AGM to approve the appointment of domestic auditor for 2024 and determination of its remunerations.

According to the domestic and overseas regulation and information disclosure requirements of the Company, taking into account the continuity and integrity of the Company's financial audit business and in view of the good credibility and influence of Ernst & Young Hua Ming LLP in the capital market and its familiarity with the regulatory requirements of the capital market, and considering that it provided professional services for the Company for the year of 2023 and established a good cooperating relationship with the Company, the Company proposes to re-appoint Ernst & Young Hua Ming LLP as the Company's domestic auditor for the year of 2024. The above auditor will perform audits on the financial statements prepared by the Company in accordance with the Chinese Accounting Standards for Business Enterprises and undertake the duties of the overseas auditor in accordance with the Listing Rules for a term of office until the end of the 2024 annual general meeting of the Company. At the same time, it will be proposed at the AGM the authorization to the Board, and the further authorization by the Board to the president of the Company, to handle specific matters related to appointment and engagement. Ernst & Young Hua Ming LLP is a certified public accounting firm accredited by the Ministry of Finance of PRC and the China Securities Regulatory Commission and is qualified to provide auditing services by adopting the Chinese

LETTER FROM THE BOARD

Reference is further made to the announcement of the Company dated 22 November 2021 in relation to, among others, the Construction Auxiliary Service Framework Agreement entered into between the Company and Zhongming Zhiye on 22 November 2021, and the annual caps set for the continuing connected transactions thereunder for 2022, 2023 and 2024. As disclosed in the said announcement, pursuant to the Construction Auxiliary Service Framework Agreement, the Group provides construction auxiliary services, including but not limited to design and consultancy, to Zhongming Zhiye and its associates in the ordinary course of business, and Zhongming Zhiye and its associates pay service fees to the Group.

As the Engineering Construction Service Framework Agreement and the Construction Auxiliary Service Framework Agreement will expire on 31 December 2024 and taking into account that the counterparties to the framework agreements are the same and the terms and conditions are similar, the Company entered into the Engineering Construction Related Services Framework Agreement with Zhongming Zhiye on 6 May 2024 and proposed the annual caps for 2025, 2026 and 2027 thereunder, in order to contract for the engineering construction services and construction auxiliary services to be provided by the Group to Zhongming Zhiye and its associates in the ordinary course of business. Subject to the approval at the AGM, the agreement is valid for a term of three years commencing from 1 January 2025 and expiring on 31 December 2027.

(2) *Engineering Construction Related Services Framework Agreement*

Date: 6 May 2024

Parties the Company (as the service provider); and
Zhongming Zhiye (as the service recipient).

Principal terms:

According to the Engineering Construction Related Services Framework Agreement, the Group will provide engineering construction related services, including but not limited to engineering construction services such as engineering procurement construction, decoration and landscape engineering and construction auxiliary services such as design and consultancy to Zhongming Zhiye and its associates in the ordinary course of business, and Zhongming Zhiye and its associates will pay service fees to the Group. The term of the Engineering Construction Related Services Framework Agreement will commence from 1 January 2025 until 31 December 2027 (inclusive). Subject to the relevant laws, regulations and the Listing Rules, the term can be renewed for another three years upon its expiry as agreed by the 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 separately enter into specific agreements and specify specific terms and conditions according to the principles stipulated in the Engineering Construction Related Services Framework Agreement.

LETTER FROM THE BOARD

Pricing policy:

According to the Engineering Construction Related Services Framework Agreement, the fees for the Group to provide engineering construction related services to Zhongming Zhiye and its associates will be determined based on arms-length negotiation with Zhongming Zhiye and its associates. The main reference factors include: (i) availability and cost of raw materials and equipment and machinery, labor and subcontractors; (ii) the local guiding prices of all kinds of raw materials as set out in the monthly cost information manual subscribed by the Company from the cost units under the local housing and urban-rural construction bureaus, such as the “Baoding Engineering Construction Cost Information” issued by the Baoding Engineering Construction Cost Service Center and the Baoding

LETTER FROM THE BOARD

(3) Historical amount

For the four years ended/ending 31 December 2021, 2022, 2023 and 2024, the annual caps of the total service fees charged by the Group for providing engineering construction related services to Zhongming Zhiye and its associates are set forth below:

(Unit: RMB million)

	Annual caps for the year ended/ending 31 December			
	2021	2022	2023	2024
Service fees for engineering construction services	1,400	1,200	1,000	900
Service fees for construction auxiliary services	3	7	2	2
Total service fees	1,403	1,207	1,002	902

For the three years ended 31 December 2021, 2022 and 2023 and the three months ended 31 March 2024, the actual total service fees charged by the Group for providing engineering construction related services to Zhongming Zhiye and its associates are set forth below:

(Unit: RMB million)

	Actual transaction amount for the year ended 31 December			For the three months ended 31 March 2024
	2021	2022	2023	2024
Service fees for engineering construction services	610	550	245	10.54
Service fees for construction auxiliary services	2.47	0.46	0.43	0
Total service fees	612.47	550.46	245.43	10.54

LETTER FROM THE BOARD

The utilization rates of the actual total service fees charged by the Group for the provision of engineering construction related services to Zhongming Zhiye and its associates for the three years ended 31 December 2021, 2022 and 2023 and the three months ended 31 March 2024 are set out below:

	For the year ended 31 December			For the three months ended 31 March
	2021	2022	2023	2024
Service fees for engineering construction services	43.57%	45.83%	24.50%	4.68%
Service fees for construction auxiliary services	82.33%	6.57%	21.50%	0
Total service fees	<u>43.65%</u>	<u>45.61%</u>	<u>24.49%</u>	<u>4.67%</u>

Note: The utilization rates for the three months ended 31 March 2024 are calculated by dividing the actual service fees charged during that period by 1/4 of the 2024 annual caps.

(4) Proposed annual caps

For the three years ending 31 December 2025, 2026 and 2027, the proposed annual caps of the total service fees charged by the Group for providing engineering construction related services to Zhongming Zhiye and its associates are set forth below:

(Unit: RMB million)

	Proposed annual caps for the year ending 31 December		
	2025	2026	2027
Total service fees	500	560	600

LETTER FROM THE BOARD

(5) *Basis of determination of proposed annual caps*

LETTER FROM THE BOARD

(ii) major considerations referred to by the Company in estimating prospective project contract amounts of the engineering construction related services provided to Zhongming Zhiye and its associates include:

- (a) the existing agreements entered into between the Group and Zhongming Zhiye and its associates, total contract amount of the relevant agreements as well as the estimation of cost according to the expected construction progress during the term of the Engineering Construction Related Services Framework Agreement;
- (b) the prospective agreements to be entered into between the Group and Zhongming Zhiye and its associates for the three years ending 31 December 2027, the prospective total contract value and the prospective project progress;

of which, the total contract amount of the existing agreements and the total contract amount of the projects to be entered into are estimated based on the Company's cost budget for related projects with reference to the gross profit margin and/or pricing standard for one square meter of similar projects. The prospective construction or transaction progress is estimated according to the Company's experience and construction schedule in previous similar projects;

(iii) when the Company estimates the service fees that it may receive from the newly added engineering construction related services projects in the next three years, the principal factor for reference is the transaction amount generated by the new projects in each year. As mentioned in (i) above, the Company expected that 11 projects will be conducted from 2025 to 2027. Of such 11 projects, six are under construction, and five have not been acquired but are currently under the Company's continuous and active tracking, which are expected to be acquired in a high probability, of which:

the transaction amount of the above six projects under construction is estimated based on the signed contract and the contract process schedule, amongst which, one project is currently expected to be completed by 31 December 2025, with a total contract amount of approximately RMB248 million; four projects are currently expected to be completed by 31 December 2026, with a total contract amount of approximately RMB82 million, and another one project is currently expected to be completed by 31 December 2027, with a total contract amount of approximately RMB45 million;

the transaction amount of the above remaining five outstanding projects is estimated based on the planned gross floor area of each project, the delivery standard and the cost budget of related projects, with reference to the gross profit margin of similar projects; the construction progress is estimated according to the planned acquisition time of each project with reference to the experience and construction schedule in previous similar projects. For the three years ending 31 December 2025, 2026 and 2027, the service fees expected to be charged by the Group under such projects for providing engineering construction related services to Zhongming Zhiye and its associates are approximately RMB252 million, RMB468 million and RMB555 million, respectively.

LETTER FROM THE BOARD

(6) *Reasons for and benefits of entering into the Engineering Construction Related Services Framework Agreement*

Given that: (i) the Group has provided engineering construction related services to Zhongming Zhiye and its branches and subsidiaries in the past, and the relevant services provided in the past have provided stable and substantial profits to the Group; (ii) the pricing of engineering construction related services provided by the Group to Zhongming Zhiye and its affiliated real estate companies is fair and on normal commercial terms; and (iii) Zhongming Zhiye and its affiliated real estate companies have made timely payments in the past without bad debts. In the future, Zhongming Zhiye and its affiliated real estate companies will also give priority to the payment of project funds to the Group.

The Directors (including independent non-executive Directors) are of the opinion that the Engineering Construction Related Services Framework Agreement and its proposed annual caps

LETTER FROM THE BOARD

- The Company leverages a professional negotiation team (specialists in operation of branches and subsidiaries, legal affairs and technology) in the negotiation process to ensure that the Company's interests are well protected and that the terms are at least consistent with the third-party agreements available in the market;
- The Company has adopted and implemented a set of connected transaction management system. According to the system, the Audit Committee of the Board is responsible for reviewing compliance with relevant laws, regulations, the Company's policies and the Listing Rules regarding continuing connected transactions. In addition, the Audit Committee of the Board, the office of the Board and various internal departments of the Company (including but not limited to the market operation department, the financial securities department and the finance management department and the legal department) are jointly responsible for evaluating the terms and service fees (including but not limited to identifying transactions with Independent Third Parties to determine the market prices) under the Engineering Construction Related Services Framework Agreement, especially the pricing policy of the transaction; the market operation department, the production security department and the finance management department are responsible for the approval of the annual caps and its fairness under such transaction;
- 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 the Engineering Construction Related Services Framework Agreement and the progress of the transaction semi-annually and quarterly, respectively. In addition, the Board of the Company will regularly review the pricing policy of the Engineering Construction Related Services Framework Agreement on an annual basis; the Company's independent non-executive Directors and auditors will conduct annual reviews of the continuing connected transactions under the Engineering Construction Related Services Framework Agreement in accordance with the Listing Rules and provide annual confirmations to confirm that the transaction is conducted in accordance with the terms of the agreement and in accordance with normal commercial terms and pricing policy; and
- When considering the engineering construction related services provided by the Group to the above-mentioned connected persons, the finance management department of the Company will continue to regularly study the prevailing market conditions and practices on a semi-annual basis and refer to the pricing and terms of similar transactions concluded between the Group and Independent Third Parties to ensure that the pricing and terms provided by the above-mentioned connected persons through the bidding process or mutual commercial negotiation (as the case may be) are fair and reasonable, and consistent with other comparable transactions of similar nature, complexity and project requirements previously entered into by the Group with Independent Third Parties, and the Group also aims to maintain competitiveness in terms of pricing. Therefore, the pricing will be determined after arm's length negotiation with Zhongming Zhiye and its associates on a cost-plus basis (i.e. expected cost plus a certain percentage of profit) to ensure that it is no less favourable than the pricing and terms offered by the Group to the Independent Third Parties.

LETTER FROM THE BOARD

(9) 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 measures of the Company, the Directors (including the independent non-executive Directors) are of the view that the Engineering Construction Related Services 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.

As Mr. Li Baoyuan, Mr. Li Baozhong, Mr. Shang Jinfeng, Mr. Zhao Wensheng, Mr. Tian Wei and Mr. Zhang Wenzhong are interested in or hold management positions in Zhongming Zhiye and/or its associates, they are therefore deemed to be connected to the Engineering Construction Related Services Framework Agreement and the transactions contemplated thereunder. Thus, they have abstained from voting on the Board resolution to approve the Engineering Construction Related Services Framework Agreement and its proposed annual caps. Save for those disclosed above, none of the other Directors have any material interest in the Engineering Construction Related Services Framework Agreement and the transactions contemplated thereunder, and none of the other Directors are required to abstain from voting on the Board resolution to consider and approve the Engineering Construction Related Services Framework Agreement and its proposed annual caps.

(10) Independent Board Committee and Independent Financial Adviser

The Company has established the Independent Board Committee (comprising all the independent non-executive Directors, namely Ms. Shen Lifeng, Ms. Chen Xin and Mr. Chan Ngai Sang Kenny) to advise the Independent Shareholders in respect of the Engineering Construction Related Services Framework Agreement and its proposed annual caps. 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.

(11) Information on Parties to the Agreement

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.

Information on Zhongming Zhiye

Zhongming Zhiye is a company incorporated in the PRC on 1 December 2016 with limited liability and is primarily involved in real estate consulting services, ecological tourism development and elderly care services. As at the Latest Practicable Date, Zhongming Zhiye is owned as to 92.5% and 7.5% by Zhongru Investment and Qianbao Investment, the controlling shareholders of the Company, respectively.

LETTER FROM THE BOARD

SPECIAL RESOLUTIONS

12. Issuance of Debt Financing Instruments in 2024

A special resolution will be proposed at the AGM to approve the issuance of debt financing instruments in 2024.

In order to meet the needs for the Company's business operation, adjust the debt structure, replenish the liquidity and lower the financing costs, the Company intends to propose at the AGM to authorize the Board and persons authorized by the Board to consider and approve, subject to the relevant laws and regulations and the prevailing market conditions, the issuance of debt financing instruments within the framework and limit approved at the AGM:

(1) Issuer

The Company is the issuer of the RMB debt financing instruments. The Company or the foreign wholly-owned subsidiaries of the Company is the issuer of the offshore debt financing instruments.

(2) Type of Debt Financing Instruments

The onshore debt financing instruments proposed to be issued by the Company include but not limited to: RMB financing instruments, such as corporate bonds, medium-term notes, short-term commercial papers and super short-term commercial papers. The offshore debt financing instruments proposed to be issued by the Company include but not limited to: USD bonds, and offshore RMB bonds, etc.. The aforementioned onshore and offshore debt financing instruments do not contain any provision for conversion into Shares.

The type of onshore and offshore debt financing instruments will be determined by the Board and persons authorized by the Board based on the relevant requirements and the market conditions at the time of issue.

(3) Issue Size and Issue Method

The issue size of any single type of bonds, which could be issued on an one-off or multiple issuances or multi-tranche issuances basis, shall not exceed the approved limit of issue for that class under the relevant laws, regulations and regulatory documents. Subject to the relevant laws, regulations and regulatory documents, the specific issue size will be determined based on our needs for funding and the market conditions, provided that the aggregate size for various classes of bonds applied for registration shall not exceed RMB1.5 billion equivalent.

The specific issue size will be determined by the Board and persons authorized by the Board based on the relevant requirements and the market conditions at the time of issue.

LETTER FROM THE BOARD

(4) *Term of Debt Financing Instruments*

The terms of the onshore and offshore debt financing instruments shall be no longer than 10 years, with a single term or a hybrid type with multiple terms. The specific term and each type with different terms will be determined by the Board and persons authorized by the Board based on the relevant requirements and the market conditions at the time of issue.

(5) *Use of Proceeds*

The proceeds from onshore and offshore debt financing instruments shall be used to meet the needs for business operation, adjust the debt structure, replenish the liquidity and/or for project

LETTER FROM THE BOARD

- (ii) to make decision on the engagement of intermediary agency, to select and engage trustee and settlement manager(s), to sign the trust agreement(s) and settlement agreement(s), and to formulate the rules of procedures of the meeting of the holders of debt financing instruments (if applicable).
- (iii) to sign, implement, amend and complete all of the agreements and documents relating to the issuance of the onshore and offshore debt financing instruments, including but not limited to, the sponsor agreement, underwriting agreement, guarantee agreement, bond indenture, engagement agreement with intermediary agency, trust agreement, settlement agreement, registration and custody agreement, listing agreement and other legal documents, etc..
- (iv) to complete all applications and listing matters in connection with the issuance of the onshore and offshore debt financing instruments, including but not limited to, the preparation, revision and submission of relevant application and filing materials relating to the issuance and listing of the onshore and offshore debt financing instruments as well as the application and filing materials in respect of guarantee, letter of support or keep-well deed to be provided by the Company, the issuer and/or third party(ies), and to sign the relevant application and filing documents and other legal documents as required by relevant regulatory authorities.
- (v) to sign and release/distribute announcements and circulars related to the issuance of the onshore and offshore debt financing instruments pursuant to the requirements of the relevant domestic regulatory authorities and the Listing Rules, so as to fulfill its obligation to disclose relevant information and/or perform approval procedure (if required).
- (vi) save as those matters that require re-approval at the general meetings as required by the relevant laws, regulations and the Articles of Association, to either adjust the matters relating to the issuance of the onshore and offshore debt financing instruments in response to the advice from regulatory authorities, changes in policies or changes in market conditions, or to decide whether to continue the works, in whole or in part, of the issuance of the onshore and offshore debt financing instruments based on the actual situation.
- (vii) to deal with other relevant matters in connection with the issuance of the onshore and offshore debt financing instruments, and to sign all necessary documents.

LETTER FROM THE BOARD

(8) *Validity Period of the Resolution*

The resolution of the AGM in respect of the issuance of the onshore and offshore debt financing instruments will be valid from the date of the resolution being passed at the AGM to the date convening the next annual general meeting.

Where the Board and the persons authorized by the Board have decided, during the authorized period, to issue in whole or in part the onshore and offshore debt financing instruments, and provided that the Company has also, during the authorized period, obtained the approval or license from, or completed filing or registration (if applicable) with regulatory authorities for the issuance, the Company may, during the validity period confirmed in such approval, license, filing or registration, complete the issue in whole or in part of the onshore and offshore debt financing instruments.

13. General Mandate to Issue Shares

A special resolution will be proposed at the AGM to approve the general mandate to issue new Domestic Shares and H Shares of the Company. In order to meet the capital requirements for the sustainable business development of the Company, and for the flexible and effective utilization of financing platforms, the Board will, in accordance with the applicable laws, regulations, other regulatory documents and capital market practices, propose the following at the AGM for consideration and approval:

(1) *General Mandate to Issue Shares*

- (i) Subject to the conditions set out in (ii) below, a resolution will be proposed at the AGM to authorize the Board to issue Shares (H Shares and/or Domestic Shares, same for the below) during the relevant period (as defined below).
- (ii) The numbers of H Shares and Domestic Shares authorized to be issued by the Board under approval shall not exceed 20% of the total numbers of H Shares and Domestic Shares in issue of the Company as at the date of this resolution being approved at the AGM, respectively.
- (iii) For the purpose of this resolution:

“**relevant period**” means the period from the date of the passing of this special resolution until whichever is the earlier of:

- 1. the conclusion of the next annual general meeting after the passing of this resolution (unless otherwise being extended by the passing of a special resolution at that meeting (whether or not with conditions being attached), such mandate will be lapsed); or
- 2. the date on which such mandate granted under this resolution is revoked or amended by a special resolution at the general meeting of the Company.

LETTER FROM THE BOARD

(2) Related Authorization

In order to improve the efficiency of decision making and to reduce approval procedures so as to grasp the opportunities in the market, it is proposed at the AGM to grant the Board the general mandate to issue Shares, to deal with all matters related to the general mandate to issue Shares at their sole discretion, which include but are not limited to:

- (i) to authorize the Board to determine the detailed issuance proposal, including but not limited to:
 - 1. the class and numbers of the Shares proposed to be issued;
 - 2. pricing method and/or issue price (including the range of pricing);
 - 3. the first and last date of the issuance;
 - 4. use of proceeds;
 - 5. other information needed to be included in the detailed issuance proposal as required by the relevant laws and regulations and other regulatory documents, relevant regulatory authorities and the stock exchange of the place of listing.

- (ii) to authorize the Board to deal with the matters related to the increase of the registered capital of the Company to include the Shares authorized to be issued by the Company under this resolution and to make such amendments as it deems appropriate and necessary to the clauses related to the issuance of Shares and registered capital in the Articles of Association, and to adopt and complete any other actions and processes which are necessary for increasing the registered capital of the Company.

III. AGM AND METHODS OF VOTING

A notice convening the AGM of the Company to be held physically at Meeting Room No. 1, 3/F, No. 125 Lugang Road, Jingxiu District, Baoding City, Hebei Province, the PRC at 8:30 a.m. on Monday, 24 June 2024 is set out on pages 54 to 56 of this circular. A form of proxy for use at the AGM is attached below and is also published on the website of the Stock Exchange and the website of the Company.

LETTER FROM THE BOARD

Whether or not you intend to attend the AGM, you are requested to complete the form of proxy attached below in accordance with the instructions printed thereon and return the same to the Company's H Share Registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, 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 AGM or any adjournment thereof (i.e. no later than 8:30 a.m. on Sunday, 23 June 2024). Completion and return of the form of proxy will not preclude you from attending in person and voting at the AGM or any adjourned meeting should you so wish. If you attend and vote at the AGM, the authority of your proxy will be revoked.

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 notice of AGM will be taken by way of poll. Vote can be cast in person or by proxy.

Any connected persons, Shareholders and their associate who have a material interest in the Engineering Construction Related Services Framework Agreement and the transactions contemplated thereunder shall abstain from voting at the AGM. Zhongru Investment and Qianbao Investment have material interest in the Engineering Construction Related Services Framework Agreement and the transactions contemplated thereunder. Accordingly, Zhongru Investment and Qianbao Investment will abstain from voting in respect of the relevant resolution at the AGM. 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 Shareholders will be required to abstain from voting at the AGM regarding the relevant resolution as at the Latest Practicable Date.

LETTER FROM THE BOARD

IV. CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 18 June 2024 to Monday, 24 June 2024 (both days inclusive), during which period no transfer of Shares of the Company will be registered. Shareholders whose names appear on the register of members of the Company on Monday, 24 June 2024 will be eligible to attend the AGM. In order to qualify for attending and voting at the AGM, 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, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong no later than 4:30 p.m. on Monday, 17 June 2024.

V. RECOMMENDATIONS

The Board of Directors 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 that Shareholders vote in favor of the resolutions at the AGM.

VI. ADDITIONAL INFORMATION

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
Hebei Construction Group Corporation Limited
LI Baozhong
Chairman and Executive Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



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

24 May 2024

To the Independent Shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTION
IN RELATION TO THE ENGINEERING CONSTRUCTION RELATED
SERVICES FRAMEWORK AGREEMENT**

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 Engineering Construction Related Services Framework Agreement and the transactions contemplated thereunder, and the proposed

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER



HALCYON CAPITAL LIMITED

11TH FLOOR
8 WYNDHAM STREET
CENTRAL
HONG KONG

24 May 2024

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

CONTINUING CONNECTED TRANSACTION IN RELATION TO THE ENGINEERING CONSTRUCTION RELATED SERVICES FRAMEWORK AGREEMENT

INTRODUCTION

We refer to our engagement as the independent financial adviser to the Independent Board Committee in respect of the terms of the Engineering Construction Related Services Framework Agreement and the transactions contemplated thereunder, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in a circular of the Company (the “**Circular**”) to the Shareholders dated 24 May 2024, 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 6 May 2024, the Company and Zhongming Zhiye entered into the Engineering Construction Related Services Framework Agreement as the Engineering Construction Service Framework Agreement and the Construction Auxiliary Service Framework Agreement will expire on 31 December 2024. Pursuant to the Engineering Construction Related Services Framework Agreement, the Group will provide engineering construction related services, including but not limited to, engineering construction services such as engineering procurement construction, decoration and landscape engineering and construction auxiliary services such as design and consultancy to Zhongming Zhiye and its associates in the ordinary course of business, and Zhongming Zhiye and its associates will pay service fees to the Group.

Since 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 14A.07A(4) of the Listing Rules. By virtue of the aforesaid relationship, the provision of engineering construction related services under the Engineering Construction Related Services Framework Agreement constitutes continuing connected transaction under Chapter 14A of the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee, comprising 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) whether the Engineering Construction Related Services 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 transaction contemplated thereunder (the “**Annual Caps**”) are fair and reasonable, and in the interests of the Company and the Independent Shareholders as a whole; and (ii) how the Independent Shareholders should vote on the relevant resolution regarding the Engineering Construction Related Services Framework Agreement and the Annual Caps at the AGM.

Our role, as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Engineering Construction Related Services Framework Agreement and the transactions contemplated thereunder, is to (i) provide the Independent Board

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

BASIS OF OUR OPINION

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 Engineering Construction Related Services Framework Agreement, the annual report of the Company for the year ended 31 December 2023 (the “**2023 Annual Report**”), 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 Engineering Construction Related Services 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, Zhongming Zhiye 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion for the Engineering Construction Related Services Framework Agreement and the respective transactions contemplated thereunder, we have considered the following principal factors and reasons:

1. Information of the Group

Principal business

As stated in the 2023 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 mainly including service concession arrangements. Based on the 2023 Annual Report, 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 2023 was derived from the provision of construction contracting services.

According to the 2023 Annual Report, approximately 76% of the value of the new contracts of the Group's contracting construction business were attributable to the Beijing-Tianjin-Hebei Region and approximately 54% of the value of the new contracts of the Group's contracting construction business were attributable to building construction, followed by infrastructure construction of approximately 33%.

Financial highlights

Set out below is the summary of key financial information of the Group for each of the two years ended 31 December 2023 as extracted from the 2023 Annual Report:

	For the year ended 31 December	
	2023	2022
	RMB'mil	RMB'mil
Revenue	33,493	40,006
Cost of sales	<u>(31,697)</u>	<u>(38,371)</u>
Implied gross profit (<i>Note 1</i>)	1,796	1,635
Implied gross profit margin (<i>Note 2</i>)	5.4%	4.1%
Profit before tax	227	429
Income tax expense	<u>(69)</u>	<u>(114)</u>
Net profit	<u>158</u>	<u>315</u>

Notes:

- Such amount was calculated based on the revenue and cost of sales of the Group and was not disclosed in the 2023 Annual Report.
- The implied gross profit margin was calculated based on the implied gross profit and revenue of the Group and was not disclosed in the 2013 Annual Report.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As illustrated in the above table, the Group has recorded net profit for each of the two years ended 31 December 2023, and according to the 2023 Annual Report, the consolidated net assets value of the Company attributable to owners of the parent was approximately RMB6,047 million as at 31 December 2023.

The revenue of the Group for 2023 amounted to approximately RMB33,493 million, representing a decrease of approximately RMB6,513 million as compared with last year, which was mainly due to the decrease in revenue from construction contracting segment of RMB6,193 million. The decrease in revenue from construction contracting segment was mainly attributable to the decrease in revenue in building construction business of approximately RMB5,713 million.

Although the Group recorded decreases in revenue in both building construction business and infrastructure construction business for 2023, as stated in the 2023 Annual Report, the Group recorded improved gross profit rate in both businesses which amounted to approximately 4.2% and 6.7%, respectively, for 2023 as compared to approximately 3.2% and 5.6%, respectively, in 2022.

According to the 2023 Annual Report, the decrease in revenue from building construction business was mainly attributable to the completion of certain large-scale projects during 2023, while the impact of the pandemic was weakened, which resulted in decrease in labor costs and fixed costs, and thus the gross profit rate of the building construction business for 2023 was increased as compared to 2022.

The net profit of the Group for the year ended 31 December 2023 amounted to approximately RMB158 million in 2023, representing a decrease of approximately RMB157 million as compared with 2022. Such decrease was mainly attributable to the credit impairment losses of approximately RMB339 million for 2023, as compared to a reversal of credit impairment losses of approximately RMB131 for 2022. According to the 2023 Annual Report, such increase in credit impairment loss was mainly due to the increase in individual bad debt provision for customers with significant risk of default based on the Group's assessment on customer's operating conditions.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We noted that according to the 2023 Annual Report, building construction business was the largest revenue contributing business segment, approximately 54% of the new contract value of the Group in 2023 was attributable to building construction business. As advised by the Company and based on our analysis below, the terms of contracting services offered to Zhongming Zhiye and its associates were on normal commercial terms and comparable to the terms offered to third parties. Meanwhile, as stated above and according to the 2023 Annual Report, the decrease in profit recorded was attributable to the increase in credit impairment losses, and taking into account the factors that Zhongming Zhiye and its affiliated real estate companies have made timely payments in the past without bad debt, and Zhongming Zhiye and its affiliated real estate companies will also give priority to the payment of project funds to the Group in the future, we concur with the Company that the conducting of transactions contemplating under the Engineering Construction Related Services Framework Agreement shall not bring adverse impact to the impairment of the Group. Accordingly, we concur with the view of the Directors that the provision of the relevant services under the Engineering Construction Related Services Framework Agreement to Zhongming Zhiye and its associates is in the ordinary and usual course of business of the Company, the continuation of provision of the relevant services under the Engineering Construction Related Services Framework Agreement to Zhongming Zhiye and its associates is in the interests of the Company and the Independent Shareholders as a whole.

3. Principal terms of the Engineering Construction Related Services Framework Agreement

As set out in the Letter from the Board, the principal terms of the Engineering Construction Related Services Framework Agreement are set out below:

(1) Date

6 May 2024

(2) Parties

The Company (as the service provider); and

Zhongming Zhiye (as the service recipient).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(3) Principal terms

According to the Engineering Construction Related Services Framework Agreement, the Group provides engineering construction related services, including but not limited to, engineering procurement construction, decoration and landscape engineering and construction auxiliary services such as design and consultancy (the “**Construction and Related Services**”) to Zhongming Zhiye and its associates in the ordinary course of business, and Zhongming Zhiye and its associates will pay service fees to the Group. The term of the Engineering Construction Related Services Framework Agreement will commence from 1 January 2025 until 31 December 2027 (inclusive). Subject to the relevant laws, regulations and the Listing Rules, the term can be renewed for another three years upon its expiry as agreed by the specific 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 separately enter into specific agreements and specify specific terms and conditions according to the principles stipulated in the Engineering Construction Related Services Framework Agreement.

(4) Pricing policy

According to the Engineering Construction Related Services Framework Agreement, the fee for the Group to provide engineering construction related services to Zhongming Zhiye and its associates will be determined based on arm’s length negotiation with Zhongming Zhiye and its associates. The main reference factors include: (i) availability and cost of raw materials and equipment and machinery, labor and subcontractors; (ii) the local guiding prices of all kinds of raw materials as set out in the monthly cost information manual subscribed by the Company from the cost units under the local housing and urban-rural construction bureaus, such as the “Baoding Engineering Construction Cost Information” issued by the Baoding Engineering Construction Cost Service Center and the Baoding Construction Cost Management Association every month, and the “Cangzhou Engineering Construction Cost Management and Information” issued by the Cangzhou Engineering Construction Cost Management Station every two months; (iii) the project process schedule, the complexity and scale of the construction project, and the potential revision of the scope of work; (iv) the geographical location and environmental conditions of the project site; (v) the Group’s estimate of competitive bidding; and (vi) contractual risks.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As further stated under the Engineering Construction Related Services Framework Agreement, regarding the evaluation and analysis of competitive bidding, the Company has mainly formulated the following mechanisms: (i) the competitive quotation analysis mechanism, which is based on collecting bid opening records, network data, competitors'

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

4. Pricing policies and internal control measures regarding price determination for the continuing connected transactions under the Engineering Construction Related Services Framework Agreement

Based on our discussions with the management of the Company and as disclosed in the Letter from the Board, we understand that in addition to the pricing policies under the Engineering Construction Related Services Framework Agreement, the Group has adopted the following internal control measures (the “**Internal Control Measures**”) and will apply these measures when determining the price of products in respect of the continuing connected transactions under the Engineering Construction Related Services Framework Agreement:

- The Company has established a clear set of contract standards and terms to ensure that all framework agreements meet those standards as a minimum. Such standards are consistent with best practices in the market and take into account the Company’s risk tolerance and business needs;
- The Company conducts regular market research to understand the terms obtained by Independent Third Parties under similar service framework agreements to ensure the competitiveness of the Company’s terms;
- The Company leverages a professional negotiation team (specialists in operation of branches and subsidiaries, legal affairs and technology) in the negotiation process to ensure that the Company’s interests are well protected and that the terms are at least consistent with the third-party agreements available in the market;
- The Company has adopted and implemented a set of connected transaction management system. According to the system, the Audit Committee of the Board is responsible for reviewing compliance with relevant laws, regulations, the Company’s policies and the Listing Rules regarding continuing connected transactions. In addition, the Audit Committee of the Board, the office of the Board and various internal departments of the Company (including but not limited to the market operation department, the financial securities department and the finance management department and the legal department) are jointly responsible for evaluating the terms and service fees (including but not limited to identifying transactions with Independent Third Parties to determine the market prices) under the Engineering Construction Related Services Framework Agreement, especially the pricing policy of the transaction; the market operation department, the production security department and the finance management department are responsible for the approval of the annual caps and its fairness under such transaction;

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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 the Engineering Construction Related Services Framework Agreement and the progress of the transaction semi-annually and quarterly, respectively. In addition, the Board of the Company will regularly review the pricing policy of the Engineering Construction Related Services Framework Agreement on an annual basis; the Company's independent non-executive Directors and auditors will conduct annual reviews of the continuing connected transactions under the Engineering Construction Related Services Framework Agreement in accordance with the Listing Rules and provide annual confirmations to confirm that the transaction is conducted in accordance with the terms of the agreement and in accordance with normal commercial terms and pricing policy; and
- When considering the Construction and Related Services provided by the Group to the above-mentioned connected persons, the finance management department of the Company will continue to regularly study the prevailing market conditions and practices on a semi-annual basis and refer to the pricing and terms of similar transactions concluded between the Group and Independent Third Parties to ensure that the pricing and terms provided by the above-mentioned connected persons through the bidding process or mutual commercial negotiation (as the case may be) are fair and reasonable, and not less favourable than those provided to Independent Third Parties.

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 final price is the reasonable cost plus the reasonable profit. For pricing of connected transactions determined based on the abovementioned principles, different pricing methodologies shall be adopted depending on the types and circumstances of connected transactions to be entered into, which include cost-plus method, resale price method, comparable sales method, comparable net profit method and profit split method. In particular, for cost-plus method, the pricing is determined based on the relevant costs of the Group plus a gross profit margin which are determined based on the gross profit margin of comparable transactions with Independent Third Parties.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Taking into account the nature of the Construction and Related Services and given the scope of services to be provided by the Group varies across different projects, and having further confirmed with the management of the Company, we noted that in determining the pricing of the Construction and Related Services to be provided by the Group under a particular contract as a whole (i) there is no standard pricing or charging standard; (ii) the government pricing or the

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Meanwhile, we have obtained and reviewed the list of the ten largest revenue contributing construction contracting and related services contracts with Zhongming Zhiye and its associates for each of the two years ended 31 December 2023 (“**Connected Contract List**”). We have selected the three largest revenue generating contracts during each of the two years ended 31 December 2023 from the Connected Contract List, and obtained and reviewed the relevant supporting documents in relation to the contract sum and the planned cost of services (the “**Relevant Documents**”) for these contracts. In addition, we have obtained and reviewed the list of construction contracting contracts between the Group and Independent Third Parties regarding the residential property development contracts that are comparable to the contracts which we selected from the Connected Contract List in terms of size, nature and location, and the transactions contemplated thereunder covered the two years ended 31 December 2023 (the “**Independent Contract List**”), together with the planned gross profit margin of the relevant projects. We noted from the Relevant Documents in relation to the samples selected from the Connected Contract List that the planned gross profit margins are comparable to those stated in the Independent Contract List, and, therefore, consistent with the representation of the Company that the pricing of the Construction and Related Services was determined based on the gross profit margin of comparable transactions with Independent Third Parties.

We consider that our finding is in line with the pricing policy and management system on connected transactions adopted by the Company, and no deviation from the pricing policy and management system on connected transactions adopted by the Company had been noted.

5. Rationale for determining the Annual Caps

The table below sets out the historical transaction amounts between the Group and Zhongming Zhiye and its associates in respect of the transactions contemplated under the Engineering Construction Service Framework Agreement and the Construction Auxiliary Service Framework Agreement for each of the two years ended 31 December 2023 and the three months ended 31 March 2024, the annual caps under the Engineering Construction Service Framework Agreement and the Construction Auxiliary Service Framework Agreement for each of the three years ending 31 December 2024 and the proposed Annual Caps for each of the three years ending 31 December 2027:

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Engineering Construction Service Framework Agreement

	For the year ended 31 December		Three months
			ended 31 March
	2022	2023	2024
	<i>RMB'mil</i>	<i>RMB'mil</i>	<i>RMB'mil</i>
Actual amount	550	245	10.5
Annual cap	1,200	1,000	900 (Note)
Utilisation rate	45.8%	24.5%	4.7% (Note)

Note: The annual cap of the construction services under the Engineering Construction Service Framework Agreement for the year ending 31 December 2024 was RMB900 million and the utilisation rate for the three months ended 31 March 2024 was annualised based on the actual transaction amount for the three months ended 31 March 2024 multiplied by four and divided by the annual cap for the year ending 31 December 2024.

Construction Auxiliary Service Framework Agreement

	For the year ended 31 December		Three months
			ended 31 March
	2022	2023	2024
	<i>RMB'mil</i>	<i>RMB'mil</i>	<i>RMB'mil</i>
Actual amount	0.46	0.43	0
Annual cap	7	2	2 (Note)
Utilisation rate	6.6%	21.5%	0.0% (Note)

Note: The annual cap of the construction services under the Construction Auxiliary Service Framework Agreement for the year ending 31 December 2024 was RMB2 million and the utilisation rate for the three months ended 31 March 2024 was annualised based on the actual transaction amount for the three months ended 31 March 2024 multiplied by four and divided by the annual cap for the year ending 31 December 2024.

	Proposed Annual Caps		
	For the year ending 31 December		
	2025	2026	2027
	<i>RMB'mil</i>	<i>RMB'mil</i>	<i>RMB'mil</i>
Construction and Related Services	500	560	600

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As stated in the Letter from the Board, the Annual Caps have been determined mainly with reference to: (i) the engineering construction related services fees previously paid to the Group by Zhongming Zhiye and its affiliated real estate companies; (ii) expected project contract amount and construction progress; (iii) the number of projects currently available to the Group that requires engineering construction related services; and (iv) newly-added engineering construction related services projects in the next three years expected by the Group. In particular:

- (i) the historical transaction amounts of the Group's relevant engineering construction related services with Zhongming Zhiye and its associates recorded a declining trend in the past few years, mainly due to (a) the impact of the pandemic in the past, which resulted in the projects under construction not being able to complete the construction progress as scheduled, and the overall construction period was significantly delayed due to force majeure, resulting in a decrease in annual transaction amounts. For example, among the projects under construction, the Landun Shangpin Project, the Landun Classics Project, and the Industrial Park Project were originally scheduled to be completed in 2022, but will actually be completed in 2024; among the completed projects, the Shuishiyuan Project and the Hebei Construction Business Center Project were originally scheduled to be completed in 2022, but were/will actually completed in 2023 and 2024, respectively; (b) the downturn of the real estate market in the past three years, which led to the difficulties in development and cash generation of Zhongming Zhiye and its associates, slowing down the development progress from 2022 to 2024, forcing them to focus on destocking and stabilization of cash flow, which further led to the slow progress of the Company's projects under construction, the decrease in new projects and the failure of commencement of the proposed projects; and (c) the active secondary housing market and the mainstream trend of renovation of old residential buildings in the past three years, affecting the advancement of new construction projects of Zhongming Zhiye and its associates. However, with the recovery of regional real estate companies and the restarting of formerly pending and standby projects, the size of real estate projects under construction has grown modestly year by year, and the Company estimates an increase in the maximum annual total service fees of engineering construction related services fees charged to Zhongming Zhiye and its associates for the next three years. The Company's project backlog for the next three years records a significant increase from historical level. During the period from 2021 to the Latest Practicable Date, the Company completed two projects and it is expected that eleven projects will be conducted from 2025 to 2027. In addition, the increase in construction cost in the future has been taken into account and an appropriate buffer has been added when formulating the annual caps to cope with potential new projects that cannot be confirmed at present;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(ii) major considerations referred by the Company in estimating prospective project contract amounts of the engineering construction related services provided to Zhongming Zhiye and its associates include:

- (a) the existing agreements entered into between the Group and Zhongming Zhiye and its associates, total contract amount of the relevant agreements as well as the estimation of cost according to the expected construction progress during the term of the Engineering Construction Related Services Framework Agreement;
- (b) the prospective agreements to be entered into between the Group and Zhongming Zhiye and its associates for the three years ending 31 December 2027, the prospective total contract value and the prospective project progress;

of which, the total contract amount of the existing agreements and the total contract amount of the projects to be entered into are estimated based on the Company's cost budget for related projects with reference to the gross profit margin and/or pricing standard for one square meter of similar projects. The prospective construction or transaction progress is estimated according to the Company's experience and construction schedule in the previous similar projects;

(iii) when the Company estimates the service fees that it may receive from the newly added engineering construction related services projects in the next three years, the principal factor for reference is the transaction amount generated by the new projects in each year. As mentioned in (i) above, the Company expected that eleven projects would be conducted from 2025 to 2027. Of such eleven projects, six are under construction and another five have not been acquired but are currently under the Company's continuous and active tracking, which are expected to be acquired with high chance, of which:

- i. the transaction amount of the above six projects under construction is estimated based on the signed contract and the contract process schedule, amongst which, one project is

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- (ii) in respect of the prospective agreements expected to be entered into by the Group with Zhongming Zhiye and its associates in the three years ending 31 December 2027, the projected total contract value and the projected project progress based on the information obtained by the Group during its involvement in the planning of the relevant projects with the project owner.

We noted that the historical annual transaction amounts between the Group and Zhongming Zhiye and its associates in respect of the Construction and Related Service for the year ended 31 December 2022 and 2023 was approximately RMB550 million and RMB245 million, respectively, and the proposed Annual Caps for the year ending 31 December 2025 represented an increase of approximately 103.7% as compared to the transaction amount for the year ended 31 December 2023, but a slight drop as compared to the transaction amount for the year ended 31 December 2022.

As advised by the management of the Company, the property development industry is cyclical with a relatively long development cycle, and the expected increase for the year ending 31 December 2025 is mainly driven by the delay in projects on hand of the Group. The construction development may span over years and will be affected by a number of factors including government environmental policies, the climate of the northern part of China during winter time, which may prolong the construction works, the pandemic situation over the past years and the downturn of property development industry in the PRC. According to the 2023 Annual Report, Northern China such as the Beijing-Tianjin-Hebei region was still the major operating region of the Group and approximately 75.7% of the new contract obtained by the Group in 2023 were located in Beijing-Tianjin-Hebei, where operations shall be suspended during winter time (normally November to the end of March) according to relevant national laws and regulations. Meanwhile, according to the National Bureau of Statistics, the total gross floor area of residential buildings sold recorded a drop of approximately 26.8% in 2022 as compared to 2021, which dropped further by approximately 8.2% in 2023. On the other hand, the operating profit of property developers in the PRC recorded considerable drop over the past five years from approximately RMB1,854.4 billion in 2018 to approximately RMB926.3 billion in 2022. The real estate development prosperity index (also known as the national real estate climate index and, according to the National Bureau of Statistics, the most appropriate level of national real estate climate index is 100, the moderate level is between 95 and 105, the lower level is below 95, and the higher level is above 105) during each of the twelve months in 2023 was below 95, and the index reached 93.36 in December 2023, being the lowest point in 2023.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As advised by the management of the Company, the Annual Caps for the three years ending 31 December 2027 are mainly attributable to the existing project pipeline of Zhongming Zhiye and its affiliated real estate companies and determined based on the assumption that there is no delay in the latest estimated construction development schedule. On the other hand, the utilisation rate of the annual cap for the two years ended 31 December 2023 and the three months ended 31 March 2024 was below 50% and the major reasons of that are attributable to (i) the delay in constructions during the pandemic and as a result of which the completion of a number of projects was delayed from 2022 to 2023 or even 2024; and (ii) the fact that certain potential new projects (which the annual cap for the three years ending 31 December 2024 has taken into account) did not carry as scheduled due to the pandemic and declining market conditions. Based on information provided by the Company, the contracts of certain construction related service performed during the three months ended 31 March 2024 were executed in or before 2022.

As advised by the management of the Company and based on the Annual Caps Calculation, the Annual Caps were determined with reference to eleven construction related service projects of Zhongming Zhiye and its affiliated real estate companies, the aggregate transaction amount attributable to these eleven construction related services projects amount to approximately RMB460.3 million, RMB549.2 million and RMB578.6 million for the year ending 31 December 2025, 2026 and 2027, respectively. Amongst these eleven construction related services projects, based on the Annual Caps Calculation, one of them is currently expected to be completed during the year ending 31 December 2025, four of them are currently expected to be completed during the year ending 31 December 2026 and the construction of the remaining six projects are currently expected to be completed in or after the year ending 31 December 2027. Meanwhile, amongst these eleven construction related service projects, six of them are existing projects, three of them are expected to commence in 2025, one of them are expected to commence in 2026 and the remaining one of them is expected to commence in 2027. Further, in order to ascertain the reasonableness of the estimated number of construction related service projects of Zhongming Zhiye and its affiliated real estate companies to be conducted by the Group during 2025 to 2027, we have taken into account (i) the reasons for the relatively low utilisation rate of the annual caps under the Engineering Construction Service Framework Agreement for the year ended 31 December 2022 and 2023 and the three months ended 31 March 2024 (being the delay in constructions during the pandemic and certain potential new projects did not carry as scheduled due to the pandemic and declining market conditions as stated above); (ii) the PRC economy has been gradually recovering from pandemic; (iii) during the period from 2019 to 2021, the Group had completed seven construction related service projects of Zhongming Zhiye and its affiliated real estate companies; (iv) during the two years ended 31 December 2023, the Group has derived revenue from eleven construction related service projects of Zhongming Zhiye and its affiliated real estate companies; (v) as stated above, construction development may span over years and will be affected by a number of factors; (vi) the Annual Caps for the respective years only represented less than 2% of the total construction contracting segmental revenue of the Group in 2023; and (vii) a number of these projects are currently expected to be completed in or after the year ending 31 December 2027, we consider that the estimated number of construction related service projects of Zhongming Zhiye and its affiliated real estate companies to be conducted by the Group during 2025 to 2027 is reasonable and not unrealistic.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

On the other hand, as advised by the management of the Company, given the planning of some projects under Annual Caps Calculation had not been formally approved and the relevant contracts have yet to be executed, the amount of Construction and Related Services to be provided by the Group under such projects is determined with reference to the historical amount of construction services under similar projects in the past and further adjusted after taking into account of different factors including, but not limited to, the increase in labour cost, location and duration of the project. Meanwhile, we noted that a buffer of not more than RMB40 million had been included in determining the Annual Caps for each of the three years ending 31 December 2027, to cater for potential changes in contract values of the projects which cannot be reasonably ascertained currently, which represent less than 8.0% of the Annual Caps the respective year ending 31 December 2025, 2026 and 2027, and less than 0.2% of the total revenue of the Group for the year ended 31 December 2023.

Taking into account of the aforesaid, we consider that the proposed Annual Caps are fair and reasonable.

6. Conclusion

Taking into account of the aforesaid, we concur with the view of the Directors that the entering into of the Engineering Construction Related Services Framework Agreement with Zhongming Zhiye and the Annual Caps are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

RECOMMENDATION

Having considered the factors and analyses above, we consider that (i) the engineering construction related services under the Engineering Construction Related Services 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 Engineering Construction Related Services Framework Agreement are on normal commercial terms; (iii) the entering into of the Engineering Construction Related Services 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 Engineering Construction Related Services Framework Agreement are in the interests of the Company and the Independent Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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 resolution to be proposed at the AGM to approve the Engineering Construction Related Services Framework Agreement and the Annual Caps.

Yours faithfully,
for and on behalf of
HALCYON CAPITAL LIMITED
Terry Chu
Managing Director

Mr. Chu 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. Chu has participated in the provision of independent financial advisory services for various transactions involving companies listed on the Stock Exchange.

1. RESPONSIBILITY STATEMENT

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.

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

As at 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:

(1) Interests and Short Positions of Directors, Supervisors and Chief Executives in the Shares of the Company

Name of the Directors, Supervisors and Chief Executives	Capacity	Number of Shares interested	Class of Shares	Nature of interest	Approximate percentage of shareholding in the relevant class of Shares as at the Latest Practicable Date	Approximate percentage of shareholding in the total issued share capital of the Company as at the Latest Practicable Date
Mr. Li Baoyuan ¹	Interest in controlled corporation	1,300,000,000	Domestic Shares	Long position	100%	73.80%

Note:



- As at the Latest Practicable Date, Qianbao Investment directly holds 5.54% of the equity interests in the Company and 34.95% of the equity interests in Zhongru Investment. In addition, each of the 138 individuals holding in aggregate the remaining 65.05% of the equity interests in Zhongru Investment has respectively undertaken that they have followed since the establishment of Zhongru Investment or when each of them became a shareholder of Zhongru Investment, and will continue to follow Qianbao Investment in exercising their voting powers at shareholders' general meetings of Zhongru Investment and all other rights of shareholders of Zhongru Investment. Therefore, Qianbao Investment is deemed to be interested in 100% of the equity interests in Zhongru Investment and thus be interested in the 1,202,500,000 Shares held by Zhongru Investment for the purpose of Part XV of the SFO. As at the Latest Practicable Date, Mr. Li Baoyuan directly holds 90% of the equity interests in Qianbao Investment, which is deemed to be directly and indirectly holding 100% of the equity interests in Zhongru Investment and directly holding 5.54% of the equity interests in the Company. Therefore, Mr. Li Baoyuan is deemed to be interested in 100% of the equity interests, or 289,000,000 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.

(2) **Interests and Short Positions of Directors, Supervisors and Chief Executives in the Shares of Associated Corporations of the Company**

Name of the Directors, Supervisors and Chief Executives	Name of associated corporation	Capacity	Number of ordinary Shares interested in the associated corporation		Nature of Interest	Approximate percentage of issued share capital of associated corporation as at the Latest Practicable Date
Mr. Li Baoyuan ¹	Qianbao Investment ²	Beneficial owner	45,000,000		Long position	90.00%
	Zhongru Investment ³	Interest in controlled corporation	289,000,000		Long position	100.00%
Mr. Li Baozhong	Qianbao Investment ²	Beneficial owner	5,000,000		Long position	10.00%
Mr. Shang Jinfeng	Zhongru Investment ³	Beneficial owner	5,000,000		Long position	1.73%
Mr. Zhao Wensheng	Zhongru Investment ³	Beneficial owner	3,000,000		Long position	1.04%
Mr. Tian Wei	Zhongru Investment ³	Beneficial owner	3,000,000		Long position	1.04%
Mr. Zhang Wenzhong	Zhongru Investment ³	Beneficial owner	3,000,000		Long position	1.04%
Mr. Chen Qinghan	Zhongru Investment ³	Beneficial owner	1,000,000		Long position	0.35%
Mr. Wang Feng	Zhongru Investment ³	Beneficial owner	1,000,000		Long position	0.35%
Mr. Yue Jianming	Zhongru Investment ³	Beneficial owner	1,000,000		Long position	0.35%

Notes:

- As at the Latest Practicable Date, Mr. Li Baoyuan directly holds 90% of the equity interests in Qianbao Investment, and Qianbao Investment directly holds 34.95% of the equity interests in Zhongru Investment. In addition, each of the 138 individuals holding in aggregate the remaining 65.05% of the equity interests in Zhongru Investment has respectively undertaken that they have followed since the establishment of Zhongru Investment or when each of them became a shareholder of Zhongru Investment, and will continue to follow Qianbao Investment in exercising their voting powers at shareholders' general meeting 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 289,000,000 shares, in Zhongru Investment.
- As at the Latest Practicable Date, the total share capital of Qianbao Investment is 50,000,000 shares.
- As at the Latest Practicable Date, the total share capital of Zhongru Investment is 289,000,000 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 X/P Lang (en-US)/MCID 2583 DC3).

3. COMPETING INTERESTS

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 directly or indirectly competes or is likely to compete with the business of the Group.

4. INTERESTS OF DIRECTORS

- (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.

Name	Position in the entity which fell to be disclosable in accordance with the provisions of Divisions 2 and 3 of Part XV of the SFO
Li Baoyuan	Director of Zhongru Investment, executive director and general manager of Qianbao Investment
Li Baozhong	Chairman of Zhongru Investment and supervisor of Qianbao Investment
Shang Jinfeng	Director and general manager of Zhongru Investment
Zhao Wensheng	Chairman of the board of supervisors of Zhongru Investment

- (ii) the Company has not granted its Directors, Supervisors, senior management or their respective spouses or children below 18 any rights to subscribe for its equity securities or debt securities as at the Latest Practicable Date.
- (iii) As at 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.
- (iv) Save as disclosed above, as at the Latest 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 2023 (i.e. the settlement date of the latest audited consolidated financial statements issued by the Group).

5. MATERIAL LITIGATIONS

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

6. MATERIAL CONTRACTS

During the two years prior to the date of this circular and up to the Latest Practicable Date, the Group had not entered into any material or may be material contracts (except those entered into in the Group's ordinary and usual course of business).

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

As at the Latest ~~Lang~~ (en-421)0.5(Da,)

8. SERVICE CONTRACTS

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

9. EXPERT'S QUALIFICATION AND CONSENTS

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

Name	Qualification
Halcyon Capital Limited	A licensed corporation to carry out Type 6 (advising on corporate finance) regulated activities under the SFO
	<ul style="list-style-type: none">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.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 2023, being the date to which the latest published audited consolidated accounts of the Company were prepared.Halcyon Capital Limited issued a letter dated 24 May 2024 for the purpose of incorporation in this circular in connection with its recommendation to the Independent Board Committee and the Independent Shareholders.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.

10. DOCUMENTS ON DISPLAY

Copies of the following documents will be displayed from the date of this circular up to and including the date of the AGM on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.hebjs.com.cn):

- the Engineering Construction Related Services Framework Agreement;
- the letter from the Independent Board Committee to the Independent Shareholders as set out on page 26 of this circular;
- the letter from Halcyon Capital Limited to the Independent Board Committee and the Independent Shareholders as set out on pages 27 to 47 of this circular; and
- the written consents referred to in paragraph 9 of this appendix.

11. GENERAL

- 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 2023, being the date on which the latest published audited consolidated accounts of the Company were prepared.
- 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.
- The H Share Registrar of the Company is Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.
- The joint company secretaries of the Company are Mr. Li Wutie and Ms. Wong Wai Ling. Ms. Wong Wai Ling is an associate member of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom.
- If there is any discrepancy between the English text and Chinese text of this circular, the English text shall prevail.

NOTICE OF 2023 ANNUAL GENERAL MEETING



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

NOTICE OF 2023 ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 2024 annual general meeting (the “**AGM**”) of Hebei Construction Group Corporation Limited (the “**Company**”) will be held physically at Meeting Room No. 1, 3/F, No. 125 Lugang Road, Jingxiu District, Baoding City, Hebei Province, the People’s Republic of China (the “**PRC**”) at 8:30 a.m. on Monday, 24 June 2024 to consider and, if thought fit, approve, among others, the following resolutions (with or without modification).

ORDINARY RESOLUTIONS

1. 2023 Annual Report
2. 2023 Financial Report
3. Work Report of the Board for 2023
4. Work Report of the Board of Supervisors for 2023
5. Profit Distribution Proposal for 2023
6. Remuneration of Directors for 2023
7. Remuneration of Supervisors for 2023
8. Financing Plan for 2024
9. Guarantee Arrangement for 2024

NOTICE OF 2023 ANNUAL GENERAL MEETING

Notes:

- (1) The register of members of the Company will be closed from Tuesday, 18 June 2024 to Monday, 24 June 2024 (both days inclusive), during which period no transfer of shares of the Company will be registered. Shareholders whose names appear on the register of members of the Company on Monday, 24 June 2024 will be eligible to attend the AGM. In order to qualify for attending and voting at the AGM, 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, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong no later than 4:30 p.m. on Monday, 17 June 2024.
- (2) Shareholder entitled to attend and vote at the AGM can complete the form of proxy provided by the Company to appoint one or more person to attend and vote on his/her/its behalf at the AGM. 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 the voting right in a poll.
- (3) 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.
- (4) In order to be valid, the form of proxy and the related notarized power of attorney (if any) and other authorization documents (if any) referred in note (3) above must be lodged to the Company's H Share Registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, 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 AGM or any adjournment thereof (as the case may be) (i.e. no later than 8:30 a.m. on Sunday, 23 June 2024). 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 AGM, the authority of your proxy will be revoked.
- (5) Shareholders or their proxy(ies) should produce identification documents when attending the AGM. 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.
- (6) The AGM is expected to last for no more than half day. Shareholders who attend the AGM shall bear their own travelling and accommodation expenses.
- (7) 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

As of the date of this notice, the executive directors are Mr. LI Baozhong, Mr. SHANG Jinfeng, Mr. ZHAO Wensheng, Mr. TIAN Wei and Mr. ZHANG Wenzhong; the non-executive director is Mr. LI Baoyuan; and the independent non-executive directors are Ms. SHEN Lifeng, Ms. CHEN Xin and Mr. CHAN Ngai Sang Kenny.